ANNEXURE B

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Budget Related Policies 2019/2020

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Long Term Financial Sustainability Policy

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1. Introduction

1.1 Drakenstein Municipality is responsible for directly providing residents in its jurisdictional area, a wide range of public services, and access to essential utilities and community facilities. This requires Drakenstein to hold and maintain a significant base of infrastructure assets, which necessitates not only substantial initial investments, but also continued expenditure to maintain and renew assets over the course of their respective useful lives.

1.2 It is paramount that long-term financial and asset management planning is undertaken to ensure local governments can continue to provide the desired levels of services to residents now and into the future, within the confines of their respective financial capacities.

2. Financial Sustainability and South African Legislation

2.1 Section 26(h) of the Municipal Systems Act (MSA) determines that an Integrated Development Plan (IDP) must reflect a **financial plan**, which must include a **budget projection** for at least the **next three years**.

2.2 Regulation 2(3) of the Municipal Planning and Performance Management Regulations (MPPMR) determines that a financial plan reflected in a municipality's IDP must at least –

(a) Include the budget projection required by section 26(h) of the MSA;

(b) Indicate the financial resources that are available for capital project developments and operational expenditure; and

(c) Include a financial strategy that defines sound financial management and expenditure control, as well as ways and means of increasing revenues and external funding for the municipality and its development priorities and objectives, which strategy **may** address the following –

(i) Revenue raising strategies;

(ii) Asset management strategies;

(iii) Financial management strategies;

(iv) Capital financing strategies;

(v) Operational financing strategies; and

(vi) Strategies that would enhance cost-effectiveness.

2.3 Section 4(2)(d) of the MSA determines that the council of a municipality, within the municipality's financial and administrative capacity and having regard to practical consideration, has the duty to strive to ensure that municipal services are provided to the local community in a **financially** and environmentally **sustainable** manner.

2.4 **"Financially sustainable"** in terms of section 1 of the MSA, in relation to the provision of a municipal service, means the provision of a municipal service in a manner aimed at ensuring that the financing of that service from internal and external sources, included budgeted income, grants and subsidies for the service, is sufficient to cover the costs of –

(a) The initial capital expenditure required for the service;

(b) Operating the service; and

(c) **Maintaining**, **repairing** and **replacing** the **physical assets** used in the provision of the service.

2.5 Foot note 1 to regulation 7(1) of the Municipal Budget and Reporting Regulations determines as follows: As defined in section 1(g) of the Municipal Finance Management Act, policies that affect or are affected by the annual budget of a municipality include a policy related to the l**ong-term financial plan**.

2.6 Notable shortcomings in South African legislation are –

(a) Section 26(h) of the MSA that refers to an IDP with information for only the next five years (medium-term thinking);

(b) Section 26(h) of the MSA refers to a financial plan with budget projections for only three years (medium-term thinking);

(c) Regulation 2(3)(c) of the MPPMR refers to a financial strategy that **may** address strategies with regard to revenue raising, asset management, financial management, capital financing, operational financing and strategies that would enhance cost-effectiveness (short-term thinking);

(d) Section 4(2)(d) of the MSA refers to **financially** and environmentally **sustainable** municipal services (long-term thinking);

(e) Section 1 of the MSA defines **financially sustainable** *inter alia* as **maintaining**, **repairing** and **replacing** physical assets in the provision of municipal services (long-term thinking); and

(f) Foot note 1 to regulation 7(1) of the MBRR refers to a **long-term financial plan** (long-term thinking).

2.7 There is no long-term financial plan template / guideline available or legislated. The same applies for financial strategies that **may** be developed. The financial plans of municipalities differ substantially from one another and there is no consistency for the reader of IDP's.

3. Financial Sustainability – The Concept

3.1 The word "sustainable" has gained common usage in a variety of areas since the 1990's. It is most often used in the context of environmental management. We can easily understand, for example, that fossil fuels such as oil and coal are finite resources. Therefore, considerable effort is devoted to seeking alternative renewable energy resources, along with energy-saving practices and technologies, to try to make our energy consumption practices sustainable. In general terms we use "sustainable" to mean that we can continue our current practices.

3.2 "Financial sustainability" is a similar concept. For community members, financial sustainability is probably thought of as whether we can afford our current lifestyle: whether we can pay for rent, food and other expenses with the income we receive each year. For those of us who own homes, farms or businesses, we may think in longer terms as to whether we will be in a position to repay debts by the time we retire. This type of thinking is practical for individuals or families where long-term planning is probably in the order of 15 to 20 years. However, most of us probably plan on a shorter basis than that.

4. Financial Sustainability in Local Government

4.1 The concepts most people use in their personal and business lives are basically the same as those that should be applied in municipalities, but need some modification. This is because municipal councils are perpetual corporations which acquire and manage a stock of financial and physical assets (including renewing and disposing of individual items) in order to provide services for **generation after generation** of local residents and ratepayers.

4.2 Municipal councils provide the legal framework by which communities own infrastructure and other assets and by which they act as a collective. Much local government infrastructure has a useful life of 30, 50 or in some cases well over 100 years. While individuals involved may come and go, municipalities continues to render services perpetually.

4.3 This poses the question: *Can we continue the revenue and expenditure patterns of recent years while maintaining the levels of service expected by the local community?*

4.4 Drakenstein like other municipalities worldwide have large infrastructure maintenance and renewal backlogs and as a result our communities were enjoying infrastructure which would, and was beginning to, fall apart – and which would be left for our children to fix up.

4.5 Drakenstein don't want to continue with very low levels of debt, because then they would be trying to rebuild long-lasting infrastructure out of current revenue rather than recovering the cost over the useful life of the infrastructure. In some circumstances, a deferral of infrastructure renewal and replacement is a worse 'sin' than borrowing to finance such renewal / replacement of infrastructure.

4.6 Drakenstein's leaders, administrators and communities should not only think about the state of infrastructure and other assets we would leave to our children, but what we would leave to our grandchildren and great grandchildren. This is often referred to as 'intergenerational equity'.

4.7 Another way of describing this is to say that communities were, under past stewardship, living off their assets rather than paying their way. We were on a path of wearing out vital infrastructure and putting off until the next generation the challenges of renewal.

4.8 The infrastructure backlogs and challenges facing Drakenstein resulted from short-term thinking that failed to seriously address the long-term nature of infrastructure and the on-going responsibilities towards the local communities. It is noted that Drakenstein had not been referring to financial indicators which could have told leadership and others how we had been performing on long-term financial sustainability issues.

5. Defining Financial Sustainability

5.1 Three essential elements with regard to services, property taxes, service charges and the impacts thereof on future generations needs to be covered in a financial sustainability definition. They are –

(a) To ensure that the maintenance of Drakenstein's high priority expenditure programs, both operating and capital, are at the desired levels (programme sustainability);

(b) To ensure a reasonable degree of stability and predictability in the overall property rates and service charges burden (affordability sustainability); and

(c) To promote a fair sharing in the distribution of Drakenstein's resources and the attendant taxation between current and future ratepayers (intergenerational sustainability).

5.2 In another way, these elements can be seen as what Drakenstein's community expects from Council with regard to quality services; reasonable property rates and service charges; and, sound long-term financial management.

5.3 Financial sustainability could therefore be defined as follows –

Drakenstein's long-term financial operating performance and financial position is sustainable where long-term planning and budgeting as well as infrastructure levels and standards are met without any substantial unplanned increases in property rates and service charges or inconvenient disruptive cuts to services.

6. Signalling and Communicating Long-Term Financial Sustainability

6.1 One of the problems of the past was that there had been no common publication of data indicating the extent to which municipalities were financially sustainable. In the absence of such data, the media and communities tended to focus on three elements –

(a) Municipality's sizes of our revenue, expenditure or, in particular, debt levels;

(b) Whether municipality's budgets are balanced (in cash terms); and

(c) Municipality's annual percentage increases in property rates and service charges revenue.

6.2 All of these are measured with various financial ratios benchmarking municipalities with one another. However, no long-term financial sustainability ratios are used for long-term planning and budgeting and since the development status and infrastructure backlogs differs substantially from one municipality to another municipality; the focus should rather be on developing long-term financial viability ratios instead of comparing one municipality with another through short-term financial ratios.

6.3 Drakenstein communicates or signal important information to their local communities in a variety of ways. These include information provided in reports for Council meetings; issues debated at Council meetings; annual reports, annual business plans and long-term financial plans; media releases and statements by the Executive Mayor / Municipal Manager; and, community newsletters, forums, meetings and information on websites.

6.4 When engaging with a community, written analysis around an annual business plan (IDP) and a long-term financial plan is particularly important. It should facilitate community consultation on

the likely changes to be made in service delivery, infrastructure spending and imposition of property rates and service charges, to provide for or maintain financial sustainability in the longer term. In addition, the analysis should make a conscious attempt to ensure a linkage with the objectives and goals of the Council. This approach also should result in a clear understanding by the community of the Council's proposed direction.

6.5 Councils using these communication mechanisms had rarely highlighted key financial sustainability measures. As a result, current needs and demands of communities often were given priority over the Council's long-term sustainability.

6.6. Drakenstein's long-term financial sustainability needs to be assessed using a standard set of key financial indicators. The following three key financial indicators should be communicated with Drakenstein's local communities –

(a) An ***Operating Surplus Ratio*** (the percentage by which the major controllable revenue source varies from operating expenses) that speaks to the Statement of Financial Performance;

(b) A ***Net Financial Liabilities Ratio*** (the significance of the net amount owed compared with operating revenue) that speaks to the Statement of Financial Position; and

(c) An ***Asset Sustainability Ratio*** (the extent to which assets are being replaced, compared with what is needed to cost-effectively maintain service levels) that speaks to the condition of infrastructure assets within the Fixed Assets Register.

6.7 Of the three, the most important is the ***operating surplus ratio*** which indicates whether Drakenstein Municipality is living within its means. It indicates the extent to which Drakenstein major revenue sources is more, or less than its operating expenses, including non-cash items such as depreciation of assets. A Council which has an operating deficit in one year **should have a plan** to achieve a breakeven position in future years.

6.8 Notwithstanding the usefulness of financial indicators when communicating with ratepayers, the most critical measure of the financial sustainability of a municipality is its annual operating result (i.e. the extent to which operating revenue is sufficient or insufficient to fund the cost of services). Any municipality that incurs on-going operating deficits should be quite clear about the strategic implications of this on its future capabilities to sustain current service levels. It means that –

(a) The rates and service charges that the community are paying are insufficient to cover the costs of providing existing levels of service;

(b) The municipality effectively is running down its existing net assets; and

(c) In future, the Municipal Council must inevitably reduce service levels, improve efficiency and / or increase operating revenue with higher property rates and service charges – and the longer it delays remedial action, the more severe the consequences are likely to be.

6.9 Drakenstein needs to ensure that the range and standard of services to their communities is determined having regard to Drakenstein's long-term financial sustainability. This requires a particular focus on cost-effective service provision and the maintenance and renewal of assets that Drakenstein are responsible for. Drakenstein need to give much greater profile in their mainstream communications to their targets for, and performance against, sustainability indicators. This information needs to feature more prominently in our primary communication tools – including information provided formally to Council meetings, in annual business plans and in work with the media.

6.10 Drakenstein needs to remind ourselves that in local government the Municipal Council and senior management are making decisions as a perpetual organisation for current and future generations; that the majority of our business, financial and management revolves around community infrastructure; that we have significant infrastructure backlog issues which demand greater property rates and service charges contributions and / or borrowings and possible reductions in **"lower priority"** service areas if we are to get on top of them; and, this may mean we need to say **"no"** to other governments (unfunded mandates) or our communities in response to demands for involvement in issues beyond our current resources and constitutional responsibilities.

6.11 The above should be readily apparent to our communities and should be highlighted regularly, along with our plan to deal with these issues and how we are progressing.

6.12 Drakenstein acknowledges that municipalities are all different so the appropriate property rates and service charges revenue, the appropriate expenditure on infrastructure and the appropriate level of indebtedness will look different in an urban developed municipality, compared with a rural municipality, compared with a district municipality and compared with a fringe metropolitan high growth and economies of scale that cannot be competed with.

7. Long-Term Financial Sustainability Ratios

7.1 Indicator 1: Operating Surplus Ratio

7.1.1 An operating surplus (or deficit) arises when operating revenue exceeds (or is less than) operating expenses for a period (usually a year). Just like any household or other organisation, Drakenstein's long-term financial sustainability is dependent upon ensuring that, on average over time, its

expenses are less than associated revenues. In essence this requires current day citizens to fully meet the cost of services provided for them by Drakenstein Municipality.

7.1.2 If Drakenstein is not generating an operating surplus in most periods, then it is unlikely to be operating in a financial sustainable way. It means that the cost of services provided to the community exceeds the revenue generated. The change of an operating deficit into an operating surplus can occur only by ensuring in future that revenues are increased and / or that expenses are reduced (at least relative to revenue increases, either by reducing service levels or improving productivity).

7.1.3 Drakenstein was operating with a significant deficit over several years and its strategic management and long-term financial plans did not provide clear proposals for this to be turned around and it would be inevitable that Drakenstein would face major financial shocks in future. The Municipality effectively would be in the same position as an individual or family living beyond their means. Sooner or later they would be caught by the consequences. For Drakenstein the problem would likely come to a head when existing major assets failed. Drakenstein would then need to choose between large property rates and service charges increases or not replacing assets thereby effectively lowering its standards of service to its community.

7.1.4 The **operating surplus ratio** is the operating surplus / (deficit) expressed as a percentage of operating revenue (capital grants excluded). A positive ratio indicates the percentage of total accumulated reserves available to help fund future capital expenditure. If the relevant amount is not required for this purpose in a particular year, it can be held for future capital expenditure needs by either increasing financial assets or preferably, where possible, reducing debt (external borrowings) in the meantime. A negative ratio indicates the percentage increase in property rates and service charges that are required to achieve a break-even operating result.

7.1.5 This indicator is by far the most important financial indicator for Drakenstein or any municipality. If a municipality consistently achieves a modest positive operating surplus ratio, and has soundly based projections showing that it can continue to do so in future, having regard to asset management and its community's service level needs, then it is financially sustainable. Favourable trend results measured against the other financial indicators described below will assist, but not in themselves ensure, that Drakenstein operates sustainably.

7.1.6 The suggested long-term target range for Indicator 1 **(Operating Surplus Ratio)** is to achieve, on average, an operating surplus ratio of between 0% and 5%. The setting of a lower target would be hard to justify. A negative operating surplus target (i.e. a deficit) might be appropriate in the short-term if a municipality's community was widely and significantly adversely affected by economic conditions. Similarly an annually diminishing negative operating surplus ratio target might be an appropriate "roadmap" to progressively achieve financial sustainability for a municipality that had previously incurred large operating deficits. This was the case with Drakenstein Municipality.

7.1.7 As a long-term target, however, a negative operating surplus ratio could be justified only if Drakenstein and its community had worked out, and accepted, where this course would lead them. That is, that Drakenstein's stock of assets, net of liabilities, would progressively decline in value and that Drakenstein Municipality would be unable to fund required rehabilitation or replacement of assets, in future, without substantial rises in property rates and service charges. This would not normally be acceptable but may be, for example, in cases where there has been very significant demographic or service preference change over time and assets are not intended to be replaced at the end of their economic useful life.

7.1.8 Should Drakenstein wish to target a very large operating surplus ratio it needs to be equally clear about, and articulate, its reasons for doing so. This course of action would mean that the Municipal Council would be setting property rates and service charges at levels well in excess of its operating expenses. This would have negative implications for its community in terms of intergenerational equity. There may nevertheless be compelling reasons for such a strategy. For example Drakenstein may have run significant operating deficits in the past and have impending major asset replacement needs in excess of a prudent borrowing level. Drakenstein might wish to build up financial assets or reduce existing liabilities to help it, in the future, finance this impending need.

7.1.9 The setting of an appropriate target range for the operating surplus ratio is the most important financial decision that a Municipal Council must make. It is essential that the elected councillors and senior management involved in making this decision are provided with sufficient information and training to fully understand all relevant issues and implications.

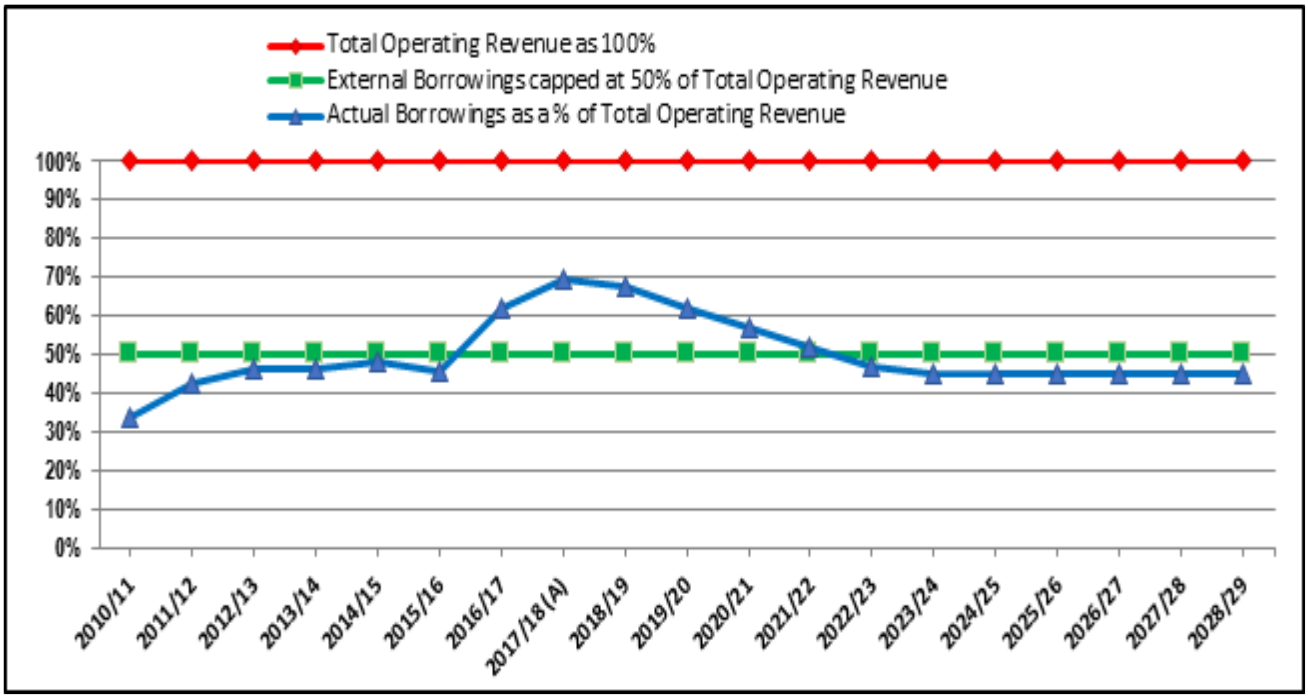
7.1.10 The Operational Surplus Ratio to be used by Drakenstein is set out in the table below. The contents are self-explanatory.

OPERATING SURPLUS RATIO
Operating Surplus Ratio (expressed as a percentage) is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

Formula	Operating Result or Net Result (excluding Capital Items) / Total Operating Revenue (excluding Capital Items)
Target	Between 0% and 5% per annum (on average over the long-term)

Targets		**What does this mean?**
Higher than target	> 5% on average over the long-term	Whilst expecting to generate substantial revenues can assist in off-setting past or future operating deficits, and fund proposed capital expenditure and/or debt repayments, the low level of operating expenses compared to operating revenues could also indicate that a local government is providing levels of service below that expected by rate payers
Within target range	> 0% and < 5% on average over the long-term	A local government is expecting to generate healthy levels of revenues that can be used to offset past or future operating deficits or to fund proposed capital expenditure and/or debt repayments, and is less likely to compromise the levels of service expected by ratepayers.
Below target range (negative ratio)	< 0% on average over the long-term	A local government is expecting to not be able to generate sufficient revenues that can cover operating expenses and offset past or future operating deficits or act as a funding source for proposed capital expenditure and/or debt repayments. The percentage indicates the percentage increase in operating revenues needed to achieve a break-even position.

7.1.11 The current status of Drakenstein's ***Operating Surplus Ratio*** as reflected in the Long-Term Financial Plan in Chapter **4** of the Integrated Development Plan (IDP) currently under review are depicted below. The picture indicates that Drakenstein is moving to long-term financial sustainability.



7.2 Indicator 2: Net Financial Liabilities Ratio

7.2.1 Net financial liabilities equals total liabilities less financial assets (excluding equity accounted investments in Council businesses).

7.2.2 Often too much focus is placed on the level of a municipality's borrowings. This number has little meaning without also considering the municipality's available financial assets and other liabilities. It would make no sense for individuals, in assessing their financial positions, to look at one pile of bills and ignore others and disregard how much money they have in the bank. The same holds true for municipalities.

7.2.3 Net financial liabilities is a broader and more appropriate measure of indebtedness than the level of borrowings, because it includes items such as employee long-service leave entitlements and other amounts payable as well as taking account a municipality's cash and investments.

7.2.4 Before considering an increase in its indebtedness, a municipal Council needs to recognise that interest associated with borrowings will impact negatively on its operating result. However municipalities with significant asset rehabilitation and replacement backlogs may find that their financial sustainability is improved if they raise borrowings to finance the works needed to address these backlogs i.e. if the operational savings achieved from addressing these backlogs exceed the additional interest costs resulting from the borrowings raised, financial sustainability would be improved.

7.2.5 The **net financial liabilities ratio** is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating revenue for the year. If the ratio falls, over time, this indicates that the Municipality's capacity to meet its financial obligations from operating revenue is strengthening.

7.2.6 An increase in the net financial liabilities ratio will sometimes mean that a municipality is incurring higher operating expenses (e.g. as a result of additional maintenance and depreciation costs associated with acquiring new assets). This will detract from the Municipality's overall operating result. Nevertheless a municipality with a healthy operating surplus could quite appropriately decide to allow its net financial liabilities ratio to increase in order to provide additional services to its community through acquisition of additional assets without detracting from its financial sustainability.

7.2.7 There is no optimal single number or even narrow range for this indicator. What is important is that a Municipal Council understands and is comfortable with its ratio and that it has been determined based on future community needs and long-term financial sustainability.

7.2.8 There is no right or wrong target range for the net financial liabilities ratio. Different Municipality's (or the same Municipality at different points of time in its long-term financial plan) could appropriately have very different target ranges and each could be equally responsible and financially sustainable, depending upon their circumstances. A target range should be set by a Municipal Council having regard to the target for its operating surplus ratio and the needs that are identified in its long-term financial plan and its infrastructure and asset management plan.

7.2.9 The target ratio should normally be (especially over the medium to longer–term) greater than zero. If not, that is likely to imply that a Municipal Council places a higher priority on accumulating financial assets than applying funds generated from ratepayers to the provision of services including infrastructure renewal.

7.2.10 It is suggested that in normal circumstances the target ceiling for a net financial liabilities ratio be generally no more than 100% of operating revenue to ensure the ratio remains within conventionally prudent limits. However, a well-managed municipality's committed to sound financial strategies (particularly during a time of significant development) could comfortably allow a higher net financial liabilities ratio. Also, while any target ratio should effectively provide a guide to influence revenue and expenditure decisions and to constrain borrowing, it would make sense to borrow to fund the replacement of an asset at the end of its "economic useful life" if funds were not available from other sources (and assuming that existing service levels were considered affordable).

7.2.11 If a municipality has not yet fully researched its likely medium to longer-term asset rehabilitation and replacement needs, it may be appropriate to set a more modest ceiling until this information is available and its funding implications assessed.

7.2.12 The breadth of the suggested range highlights the considerable discretion associated with sound management of net financial liabilities. What is important is that a Municipal Council understands and is comfortable with its ratio and that it has been determined based on future community needs and long-term financial sustainability.

7.2.13 In practice, it is recommended that a Municipal Council establish a much tighter range for this indicator than the very broad range of 0% to 100% suggested above. For example, in any one year of its long-term financial plan or in its annual budget, a Council might establish a target range of say 50% to 60%.

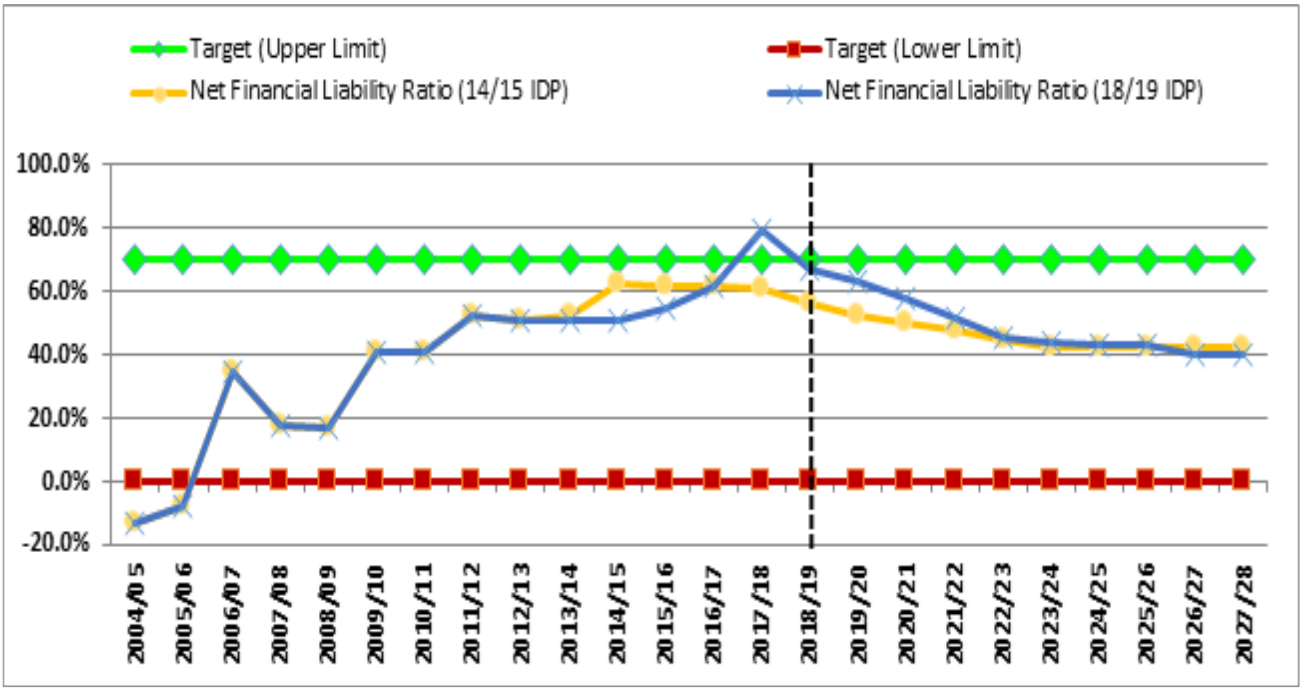
7.2.14 The Net Financial Liability Ratio to be used by Drakenstein is set out in the table below. The contents are self-explanatory.

NET FINANCIAL LIABILITIES RATIO
Net Financial Liabilities Ratio (expressed as a percentage) is an indicator of the extent to which the net financial liabilities of a local government can be serviced by its operating revenues.

Formula	Total liabilities - Current Assets Total Operating Revenue (excluding Capital Items)
Target	> 0% but not more than 100% of total operating revenue

Targets		**What does this mean?**
Higher than target	> 70% on average over the long-term	A local government has total financial liabilities that exceed current assets above recommended levels. This means that the local government likely has limited capacity to increase its loan borrowings and may become over-burdened with debt.
Within target range	> 0% and < 70% on average over the long-term	Whilst this means net financial liabilities exceed current assets and must be serviced using available operating revenues, the local government remains within recommended levels for sustainability.
Below target range (negative ratio)	< 0% on average over the long-term	A local government has current assets that exceed total liabilities and appears to have the capacity to increase its loan borrowings if required.

7.2.15 The current status of Drakenstein's ***Net Financial Sustainability Ratio*** as reflected in the Long-Term Financial Plan in Chapter **4** of the Integrated Development Plan (IDP) currently under review are depicted below. The picture indicates that Drakenstein is operating within long-term financial sustainability targets.



7.3 Indicator 3: Asset Sustainability Ratio

7.3.1 This ratio indicates the extent to which existing non-financial assets are being renewed and replaced, compared with what is needed to cost-effectively maintain service levels. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to the optimal level of such expenditure proposed in a Municipality's infrastructure and asset management plan (IAMP).

7.3.2 If capital expenditure on renewing or replacing existing assets is at least equal to the level proposed in the IAMP, then a municipality is ensuring the value of its existing stock of physical assets is maintained. Any material under spending on renewal and replacement over the medium term is likely to adversely impact on the achievement of preferred, affordable service levels and could potentially progressively undermine a municipality's financial sustainability. For example, additional maintenance costs associated with assets that have exceeded their economic useful life might be higher than costs that would be associated with renewal or replacement. Eventually a Municipal Council will be confronted with failed assets, and potentially significant renewal and replacement expenditure needs that cannot be accommodated without sudden large property rates and service charges increases.

7.3.3 Achievement of the suggested target would mean that a Municipal Council was reasonably optimising the timing of capital outlays on the renewal / replacement of assets. Failure to achieve the target would most likely mean that a Municipal Council was not optimising its financial sustainability unless it had determined its asset renewal / replacement outlays for the period on more accurate and up-to-date technical data than on which the IAMP was based.

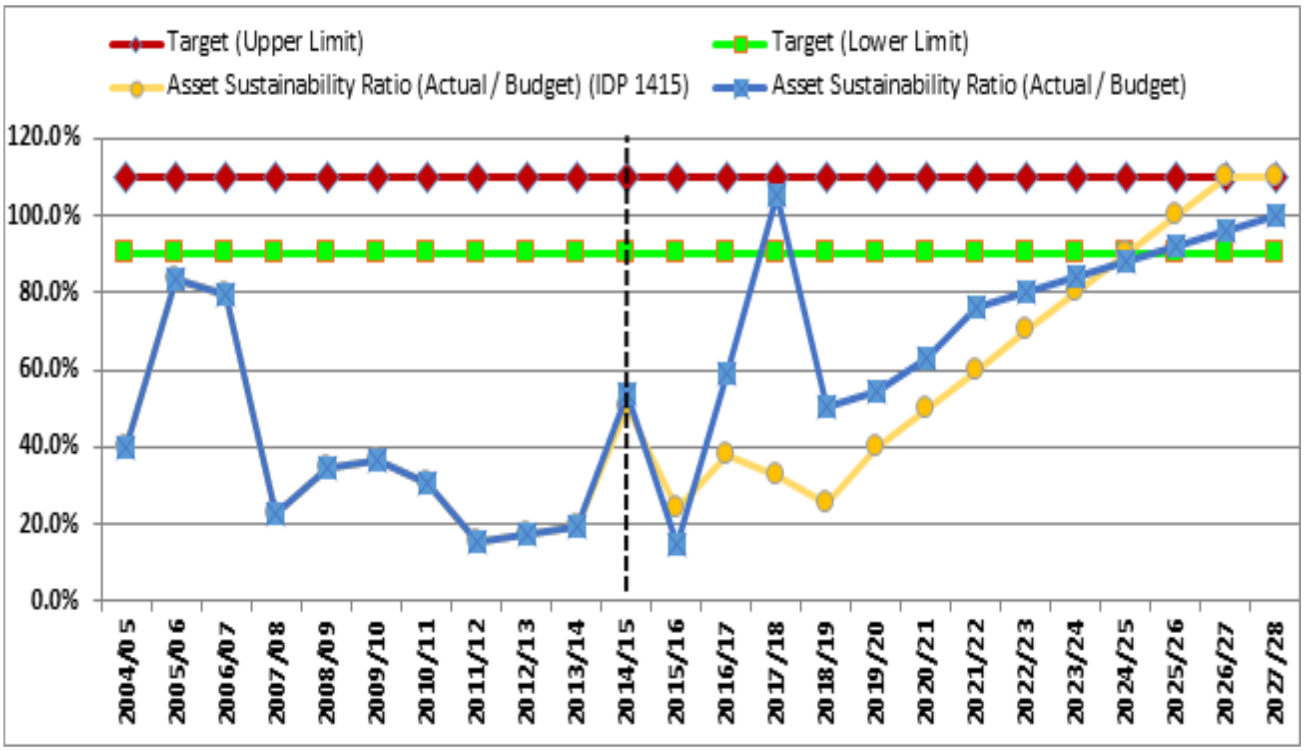
7.3.4 The Net Financial Liability Ratio to be used by Drakenstein is set out in the table below. The contents are self-explanatory.

ASSET SUSTAINABILITY RATIO
Asset Sustainability Ratio (expressed as a percentage) is an indicator of the extent to which the infrastructure assets managed by a local government are being replaced as they reach the end of their useful lives.

Formula	Capital Expenditure on Replacement of Assets (Renewals) / Depreciation Expenditure
Target	> 90% but less than 110% of the level proposed in the Infrastructure and Asset Management Plan (I&AMP)

Targets		**What does this mean?**
Higher than target	> 110% on average over the long-term	A local government is likely to be over-sufficiently maintaining, replacing or renewing existing infrastructure assets before they reach the end of their useful life.
Within target range	> 90% and < 110% on average over the long-term	A local government is likely to be sufficiently maintaining, replacing or renewing existing infrastructure assets as they reach the end of their useful life.
Below target range (negative ratio)	< 90% on average over the long-term	A local government is likely to not be sufficiently maintaining, replacing or renewing existing infrastructure assets as they are being depreciated, which may create "renewals backlogs", resulting in a reduction in service levels and/or useful lives previously expected. This will likely create a burden on future ratepayers, who will either incur financial costs to restore the asset or a convenience cost from not being able to utilise the asset (e.g. road closures due to excessive pot holes).

7.3.5 The current status of Drakenstein's ***Asset Sustainability Ratio*** as reflected in the Long-Term Financial Plan in Chapter **4** of the Integrated Development Plan (IDP) currently under review are depicted below. The picture indicates that Drakenstein is operating below long-term financial sustainability target but is projecting to move in the right direction.



8. Acknowledgements

8.1 Drakenstein Municipality acknowledges the work done by the South Australia Local Government Association and the contents of Information Paper 1: Financial Sustainability (Revised January **2015**) and Information Paper 9: Financial Indicators (Revised February **2015**).

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Borrowing Policy

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1. DEFINITIONS

In this policy, unless the context indicates otherwise -

1.1 "**Act**" means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

1.2 ''**Authorised official**'' means an employee of the Municipality responsible for carrying out any duty or function, or exercising any power in terms of this policy and includes employees delegated to carry out or exercise such duties, functions or powers;

1.3 "**Council**" means the Municipal Council of the Municipality;

1.4 "**CFO**" means the Chief Financial Officer of the Municipality;

1.5 "**Disclosure statement**" means a statement issued or to be issued by the Municipality which intends to incur debt by issuing municipal debt instruments;

1.6 "**Financing agreement**" means any loan agreement, lease, instalment, purchase arrangement under which the Municipality undertakes to repay a long-term debt over a period of time;

1.7 "**Juristic person**" means a body of persons, a corporation, a partnership, or other legal entity that is recognized by law as the subject of rights and duties;

1.8 "**Lender**" means a juristic person who provides debt finance to the Municipality;

1.9 "**Loan covenant**" means a condition in an agreement relating to a loan or bond issue that requires the borrower to fulfil certain conditions or which forbids the borrower from undertaking certain actions, or which possibly restricts certain activities to circumstances when other conditions are met. Violation of a covenant may result in a default on the loan being declared, penalties being applied, or the loan being recalled;

1.10 "**Long term debt**" means debt repayable by the Municipality over a period exceeding one (1) year;

1.11 **"Municipality"** means the Drakenstein Municipality**;**

1.12 "**Municipal debt**" means:

(a) A monetary liability or obligation on a Municipality by –
   i. a financing agreement, note, debenture, bond or overdraft; and
   ii. the issuance of municipal debt instruments; and

(b) A contingent liability such as that created by guaranteeing a monetary liability or obligation of another.

1.13 "**Security**" means any mechanism intended to secure the interest of a lender or investor and includes any of the mechanisms mentioned;

1.14 "**Short term debt**" means debt that is repayable over a period not exceeding one (1) year;

1.15 "**Sinking fund**" means a fund established where provision is made to accumulate sufficient funds to repay the capital on a municipal bond issue at the end of the loan period as a lump sum which is termed a 'bullet' payment; and

1.16 "**QBMR**" means Quarterly Borrowing Monitoring Return.

2. PURPOSE

2.1 To establish a borrowing framework policy for the Municipality and set out the objectives, policies, statutory requirements and guidelines for the borrowing of funds.

3. OBJECTIVES OF THE POLICY

3.1 Drakenstein Municipality's aimed at gaining the lowest interest rate on any external borrowings, short-term as well as long-term, but still the credit exposure risk in mind. The effectiveness of this policy is to ensure that the cash management program make provision for the repayment of interest and redemption on the external borrowings.

3.2 It is the responsibility of council as a trustee of the community's revenue to ensure that the best repayment interest rates on external borrowings is obtained through a fair and transparent tender process and to ensure compliance with all Legislation and Council policy's governing borrowings of funds.

4. SCOPE

4.1 The primary goal in the borrowing of funds is to ensure that the funds are obtained at the lowest possible interest rates at minimum risk, within the parameters of authorized borrowings.

4.2 Risk Management

The need to manage interest rate risk, credit risk exposure and to maintain debt within specified limits is the foremost objective of the borrowing policy. To attain this objective, diversification is required to ensure that the Chief Financial Officer prudently manages interest rate and credit risk exposure.

4.3 Cost of Borrowings

The borrowings should be structured to obtain the lowest possible interest rate, on the most advantageous terms and conditions, taking cognisance of borrowing risk constraints, infrastructure needs and the borrowing limits determined by Legislation.

4.4 Prudence

Borrowings shall be made with care, skill, prudence and diligence.

5. ETHICS

5.1 In dealing with financial institutions, the following ethical principles must be adhered to:

5.1.1 The chief Financial Officer shall not accede to any influence by or interference from councillors, borrowing institutions or any outsiders.

5.1.2 Under no circumstances may inducements to borrow be accepted.

5.1.3 The business ethics of any controlling body (Financial Services Board) of which Drakenstein Municipality is a member must be observed by such institution or body at all times.

6. PRINCIPLES

6.1 The guiding principles in Chapter 6 of the MFMA in terms of short-term and long-term debt must be adhered to in order to facilitate the administration of council's borrowings.

7. DELEGATIONS OF AUTHORITY

7.1 The relevant Legislation in terms of which borrowing decisions are governed is the Local Government Municipal Finance Management Act, No 56 of 2003.

7.2 The Municipal Regulations on Debt Disclosure has been promulgated (Government Gazette no. 29966, 15 June 2007) and has been effective from 01 July 2007 for a municipality or municipal entity. Refer to Annexure A2, Municipal Finance Management Act: Municipal Regulations on Debt Disclosure.

7.3 Council is the only body that can approve external borrowing as a budget item. The Bid Adjudication committee appoints the tender to the successful bidder and thereafter Council will delegate to the Municipal Manager of the municipality to enter into a contract with the successful bidder and the signing thereof.

8. NOMINEE ACCOUNT

8.1 All monies disbursements as a result of the borrowing must be placed into the primary bank account of the municipality and this account must be reported to National and Provincial treasury and the Auditor general in terms of section 9 (a) and (b) of the MFMA.

9. REGISTERED FINANCIAL INSTITUTIONS

9.1 When borrowing needs to be done it should be required from the borrowing institutions to state weather they are registered in terms of the bank act of 1990 and/or any other applicable legislation.

10. GENERAL BORROWING PRACTICE

10.1 GENERAL

10.1.1 Borrowings shall be done at an institution offering the most favourable repayment interest rates on the amount to be borrowed over a specific period.

10.1.2 Institutions shall be advised that in submitting their tenders they must offer their best interest rates for the repayment of the interest and redemption on the borrowings. Council have the write to take on a loan in full or just part thereof.

10.1.3 After submission of the tender no discussion or negotiation will be entered into until such time the tender is awarded to the successful bidder.

10.1.4 Certificates of balances on the outstanding amounts on the loans must be acquired and the end of the financial year.

10.2 TYPES OF LOANS AND FINANCING

10.2.1 Annuity loans

Annuity loans are straight forward and uncomplicated. The loan amount, interest rate and repayment period offered by the Financial Institution are fixed. The calculation of the instalment payable on an annuity/fixed redemption basis is simple and straight forward. Normally with an annuity loan, the instalment of the loan will be repaid in equal six monthly instalments over the term of the loan. The capital portion of the instalment will increase over the duration of the loan, and conversely, the interest amount charged will decrease over the loan period. Where the interest rate offered by the Financial Institution is on a variable basis, an interest rate swap (IRS) should be taken out. An IRS agreement will need to be signed with the party agreeing to accept the variable rate and in turn, offer the fixed rate to the Municipality. An Interest Rate Swap Agreement must comply with the terms set out by the International Swap Dealers Association (ISDA). The fixing of debt repayments is an important consideration in meeting the financial requirements of the Municipality, that of annually producing a balanced budget. There are from time to time various options offered by Financial Institutions which need to be treated on their merits and which could invariably result in slightly lower interest rates being offered.

10.2.2 Bullet payment redemption

In this instance, the total capital is usually repaid at the end of the term and interest on the total amount borrowed is paid annually or semi-annually. The interest rate can be fixed and the interest payable is known for the duration of the loan. Cash has to be set aside to repay the capital at the end of the term. The lender could require security in the form of an investment (sinking fund).

10.2.3 Bonds

A Bond is an instrument used by Government and Parastatals such as Telkom, Eskom, Transnet, Corporates and Municipalities to raise loan capital on the open market. Bond holders have the right to interest, usually paid on a semi-annual basis, and the repayment of the capital amount reflected on the stock certificate held on maturity date. The coupon, maturity, principal value and market value are intrinsic features of

a Bond. The most critical variable factor in determining Bond rates is the expected long term trend in inflation, in order to provide a return that equals inflation plus a risk premium. The higher the risk attached to a borrower, the higher will be the risk premium investors will demand. During its tenure the Bond will trade on the Bond market at prevailing interest levels. The price of a Bond trading at any given time on the market is a function of prevailing interest rates. Bond prices move inversely to movements in interest rates.

10.3 OTHER CONSIDERATIONS

10.3.1 The Municipality has by the judicious use of surplus funds and external long term debt implemented its Integrated Development Plan, which has facilitated the much needed service delivery program.

Factors to be considered when borrowing:

(a) The type and extent of benefits to be obtained from the borrowing;
(b) The length of time the benefits will be received;
(c) The beneficiaries of the acquisition or development;
(d) The impact of interest and redemption payments on both current and forecasted property tax and services revenue;
(e) The current and future capacity of the property tax base and rendering of services to pay for borrowings and the rate of growth of the property tax base and services;
(f) Likely movements in interest rates for variable rate borrowings;
(g) Other current and projected sources of funds;
(h) Competing demands for funds; and
(i) Timing of money market interest rate movements and the long term rates on the interest rate curve.

10.3.2 The Municipality will, in general, seek to limit its dependence on borrowings in order to minimise future revenue committed to debt servicing and redemption charges. The Municipality may only borrow funds, in terms of the Municipal Finance Management Act, for the purpose of acquiring assets, improving facilities or infrastructure to provide service delivery.

10.3.3 Drakenstein Municipality may incur long term debt only for the purpose of Capital expenditure on infrastructure, property, plant or equipment to be used for the purpose of achieving the objects of Local Government as set out in section 152 of the Constitution.

10.3.4 The use of external loans should be limited to financing infrastructure where a return can be realised from tariffs to service the debt, or major infrastructure exceeding R10 million for a single project, with long term benefits to the community as a whole, where indirect revenue streams are evident.

10.3.5 The current gearing for external loans should not exceed the 50% mark (total outstanding debt ÷ total operating revenue less conditional grants). However, if investment in infrastructure is needed to stimulate economic development with clear benefits for the community as a whole over the short and medium term, then the gearing ratio may exceed the 50% mark provided that interest and redemption to service external loans shall not exceed 20% of total operating.

10.4 CONTROL AND MONITORING BORROWINGS

10.4.1 A proper record must be kept and maintained of all the borrowings made, indicating at least the Institution, Borrowing amount, Interest rate, Start date, Closing date, Redemption amount, Interest amount and the purpose on the borrowing.

10.4.2 Repayment schedules received from the borrowing institutions must be checked to verify the correctness of the repayments. Repayment of Interest and redemption must be done in time to avoid penalty interest.

10.5 REPORTING

The Financial Officer shall in terms of section 71 report to National and Provincial treasury on the state of the borrowings. This reporting must be done on a monthly and quarterly basis.

A report on the stand of the borrowings must also be submitted to council. A report is drawn up marked "Appendix A "to be included in the Annual Financial Statements.

11. REFINANCING DEBT

11.1 Section 46 of the Municipal Finance Management Act provides that the Drakenstein Municipality may refinance existing long term debt, if such refinancing is in accordance with the framework as prescribed by the Municipal Finance Management Act, as follows:

(a) The Municipality may borrow money for the purpose of refinancing existing long term debt, provided the existing long term debt was lawfully incurred and the refinancing will not extend the term of the debt beyond the useful life of the

infrastructure, property, plant or equipment for which the money was originally borrowed.

11.2 Cognisance must be taken of any early repayment penalty clauses in the initial loan agreement, as part of the financial feasibility assessment. No loans will be prematurely redeemed unless there is a financial benefit to the Municipality.

12. DEBT REPAYMENT PERIOD

12.1 Whilst the period for which loan debt may be received will vary from time to time according to the needs of the various Lenders, presently the typical debt repayment period for loans is fifteen years, though not closely matching the underlying asset lives serviced by the loans.

12.2 Cognisance is taken of the useful lives of the underlying assets to be financed by the debt, and, moreover, careful consideration is taken of the interest rates on the interest yield curve. Should it be established that it is cost effective to borrow the funds on a shorter duration (as opposed to the life of the asset) as indicated by the interest yield curve, the loan will be negotiated to optimise the most favourable and cost effective benefit to the Municipality.

13. SECURITY

13.1 In terms of the Municipal Finance Management Act the Municipality may provide security for any of its debt obligations, including the giving of a lien, pledging, mortgaging or ceding an asset, or giving any other form of collateral. It may cede as security any category of revenue or rights of future revenue. Some Lenders may require the Municipality to agree to restrictions on debt that the Municipality may incur in future until the secured debt is settled.

14. SHORT TERM DEBT

14.1 The Municipal Finance Management Act provides that the Municipality may incur short term debt only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long term debt commitments.

14.2 The municipal council may approve an individual transaction or a credit facility for a line of credit or overdraft facility.

14.3 The Municipality must pay off short term debt within the same financial year and may not renew or refinance its short term debt if it will have the effect of extending the short term debt into a new financial year.

15. DISCLOSURE

15.1 The Municipality must, when interacting with a prospective Lender or when preparing documentation for consideration by a prospective Investor, disclose all relevant information that may be requested or that may be material to the decision of the prospective Lender or Investor. Reasonable care must be taken to ensure the accuracy of any information disclosed. Whilst this is a standard and acceptable business practice, it is also in compliance with section 49 of the Municipal Finance Management Act.

16. GUARANTEES

16.1 The Municipal Finance Management Act provides that the Municipality may not guarantee any debt of any entity unless the entity is a Municipal entity under its sole ownership control. The debt must be reflected in the approved business plan of the entity. The guarantee must be authorised by the Municipality. This must be done in the same manner and subject to the same conditions applicable to any other borrowings. Neither the National nor Provincial Government may guarantee the debt of any Municipality.

17. APPROVAL OF LOANS BY THE MUNICIPALITY

17.1 Section 46 of the Municipal Finance Management Act stipulates that the Municipality may incur long-term debt only if a resolution of the Council, signed by the mayor, has approved the debt agreement and the Accounting Officer has signed the agreement or other document which acknowledges the debt. At least 21 days prior to the meeting of the Council at which approval for the debt is to be considered, the Municipality must make public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided. The Public, the National Treasury and Provincial Treasury must be invited to submit written comments or representations to the council in respect of the proposed debt.

17.2 A copy of the information statement submitted to Council at least 21 days prior to the meeting to approve the loan agreement must contain particulars of –

(a) the essential repayment terms, including the anticipated debt repayment schedule; and
(b) the anticipated total cost in connection with such debt over the repayment period.

18. PROVISION FOR REDEMPTION OF LOANS

18.1 Drakenstein Municipality may borrow from Institutions and set up sinking funds to facilitate loan repayments, especially when the repayment is to be met by a bullet payment on the maturity date of the loan. These sinking funds may also be invested directly with the Lender's Bank. The maturity date and accumulated value of such investment must coincide with the maturity date and amount of the intended loan that is to be repaid.

19. NON-REPAYMENT OR NON-SERVICING OF LOAN

19.1 Drakenstein Municipality must honour all its loan obligations timeously. Failure to effect prompt payment will adversely affect the raising of future loans at favourable costs of borrowing.

19.2 Failure to pay any loan instalment, even by one day, and even if only through administrative oversight, will have severe repercussions, and may jeopardise the Municipality's credit rating.

19.3 In addition to the timeous payment of the loans, the Municipality must adhere to the covenants stipulated in the loan agreements.

20. PROHIBITED BORROWING PRACTICES

20.1 Drakenstein Municipality shall not borrow for investment purposes, with the sole purpose of investing to earn a return. The cost of debt is almost always more expensive than the return that the Municipality can derive by investing in permitted investments.

20.2 Foreign Borrowing is permitted in terms of section 47 of the Municipal Finance Management Act, whereby the debt must be denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

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Cash & Investment Management Policy

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1. DEFINITIONS

For the purpose of this policy, unless the context indicates otherwise, any word or expression to which a meaning has been attached in the Act shall bear the same meaning and means:-

1.1 "**Accounting Officer**" is a person appointed by the Municipality in terms of Section 82 of the Local Government: Municipal Structure Act, 1998 (Act No. 117 of 1998) and who is the head of administration and also the City Manager for the Municipality;

1.2 **"Cashiers"** are any municipal official appointed to receive cash or any other form of payment(s) on behalf of Drakenstein Municipality at any of the receipting points within Drakenstein Municipality area.

1.3 "**Chief Financial Officer**" is an officer of the municipality appointed as the Head of the Finance Department and includes any person –

(a) Acting in such position; and

(b) To whom the Chief Financial Officer has delegated a power, function or duty in respective of such a delegated power, function or duty;

1.4 "**Counci**l" or "**Municipal Council**" is a Municipal Council referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and for purposes of this policy, the Municipal Council of the Drakenstein Municipality;

1.5 "**Councillor**" is a member of the Municipal Council;

1.6 "**Investments**" is funds not immediately required for the defraying of expenses and invested at approved financial institutions;

1.7 **"City Manager**" is the Accounting Officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and being the head of administration and Accounting Officer in terms of section 55 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) and includes any person –

(a) Acting in such position; and

(b) To whom the City Manager has delegated a power, function or duty in respective of such a delegated power, function or duty;

1.8 "**Municipality**" is the institution that is responsible for the collection of funds and the provision of services to the customers of Drakenstein; and

1.9 **"Municipal Official or Official"** any employee of the Drakenstein Municipality;

1.10 "**Public funds**" are all monies received by the municipality to perform the functions allocated to them.

2. LEGAL FRAMEWORK

2.1 The Cash & Investment Management Policy is in accordance with the requirements of section 13 of the Municipal Finance Management Act and any further prescriptions made by the Minister of Finance.

2.2 The municipality shall at all times conduct its Cash and Investment Management Policy in compliance with the provisions and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.

2.3 The Local Government: Municipal Finance Management Act Municipal Investment Regulations have been promulgated and have effect as from 1 April 2005.

3. INVESTMENT POLICY OBJECTIVES

3.1 Drakenstein Municipality's main objectives of this Policy are –

(a) To ensure compliance with the relevant legal and statutory requirements relating to cash management;

(b) To ensure the preservation and safety of the municipality's investments;

(c) To ensure diversification of the municipality's investment portfolio across acceptable investees, permitted types of investments and investment maturities;

(d) To ensure timeous reporting of the investment portfolio as required by the Act in accordance with Generally Recognised Accounting Practice (GRAP); and

(e) To ensure that the liquidity needs of the municipality are properly addressed.

3.2 This Policy is aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenue is not needed for capital or operational purposes. The effectiveness of the Policy is dependent on the accuracy of the municipality's cash management programme, which has to identify the time when and period, for which such revenues are surplus.

3.3 It is Council's responsibility as a trustee of the community's revenue, to ensure that the money that is not immediately required should be invested in order to optimise the funds available to the municipality and cash resources are effectively and efficiently managed.

4. CASH MANAGEMENT

4.1 Bank Account Administration: (MFMA – Section 7, 8, 9 and 10)

4.1.1 Cash Management:

All cash that has been receipted at all receipting points within the Drakenstein Municipality area are deposited into the current primary bank account the following working day.

(a) Cash Surpluses and Shortages

(i) Surpluses: Cash Surpluses on hand after daily balancing of cashiers is to be paid in the next working day into a surplus vote number.

(ii) Shortages: Shortages with a value of R100 or less must be paid in by the cashier at end of their daily shifts. Amounts greater than R100 gets deducted once off from their next salary payment.

4.1.2 Cheque Management:

Cheques are printed in batch format (to be inserted into line printers) to prevent the removing of cheques from a batch. Cheques are delivered in sealed boxes where strict control is exercised over the numerical sequence of cheques on the expenditure system by means of a cheque register.

4.1.3 Delegations / Rights:

The incumbents of the following post are authorised to sign cheques on behalf of Council.

(a) Cheques

A-Signatories: City Manager;
Chief Financial Officer;
Senior Manager: Budget, Assets and Financial Reporting;
Senior Manager: Revenue and Expenditure;
Manager: Revenue;
Manager: Expenditure;
Manager: Financial Statements, Reporting and Cash Management;
Manager: Budget and Cost Accounting; and
Manager: Assets and Insurance Management.

B-Signatories: Chief Accountant: Financial Statements & Reporting;
Chief Accountant: Budgets;
Chief Accountant: Creditors Administration;
Chief Accountant: Cash Management;
Chief Accountant: Immovable Assets;
Senior Accountant: Water & Electricity Billing;
Senior Accountant: Property Rates, Sundries, Housing & Pre-Paid Billing; and
Senior Accountant: Credit Control, Customer Care, Indigent Support & Revenue Protection.

(b) Electronic Fund Transfers:

Authorisation same as per cheques above.

(c) Petty Cash:

Petty cashiers receive an amount (float) to reimburse employees for expenditure to a maximum amount as set out in the Petty Cash Policy.

(d) Control over bank accounts:

The City Manager will in writing authorise the Chief Financial Officer or any other senior financial official of the Municipality to exercise control over the investment or withdrawal of funds in any bank account of the Municipality.

(e) Receipting of money:

The following persons or institutions have delegated power to receive money on Council's behalf –

(i) Officials acting as municipal cashiers through the receiving of cash and other payment instruments at all receipting points within the Drakenstein Municipality area; and

(ii) 3rd Party Vendors as contracted as listed in Annexure A: Contracted 3rd Party Vendors.

Management will have the delegated right to review and amend Annexure A on an annual basis provided that all amendments must be reported to Council.

4.1.4 Private money:

No municipal employee is allowed to –

(a) Use Council's cash funds at any stage to be replaced at a later stage;
(b) Change a municipal official's (private) cheque for cash; and
(c) Safeguard private money amongst Council's cash (e.g. Cashier drawers, petty cash boxes, and safes, etcetera).

4.1.5 Management of cash flow:

The Chief Financial Officer shall maintain a cash flow system, and ensure that funds not immediately required are invested as required. All Departments or Directorates shall in this regard furnish the Chief Financial Officer with their respective cash flow needs on a monthly basis, clearly indicating possible future dates of payments, as well as any possible inflow of cash from other sources of finance arranged by Departments themselves.

4.1.6 Working Capital:

The provision for doubtful debts is calculated on a probability basis, which takes the following factors into account: Debtor type, age of debt, number of cut-off, whether the debtors has been handed over as well as the ownership status.

4.1.7 Cashier Floats

Cashiers receive an amount (float) which needs to be returned to the municipality at the end of each their individual shifts. These floats are used to give change to consumer after paying their municipal accounts, motor registrations, fines, etc.

Floats currently allocated:

- Supervisor (Chief Clerk): Float of R1,500 each;
- Cash Management Cashiers: Float of R500 each;
- Traffic Department Cashiers: Float of R1,500 each;
- Library Cashiers: Float of R500 each (except Simondium, Gouda, Saron and Hermon Library which has a R100 float);
- Swimming Pool Cashiers (in Season only): Float of R200 each; and
- Resorts Cashiers: Float of R500 each.

5. STANDARDS OF ETHICS, JUDGEMENT AND DUE CARE

5.1 **In dealing with financial institutions, the following ethical principles must be observed –**

(a) The Chief Financial Officer shall not accede to any influence by or interference from councillors, investment agents, institutions or any other outsiders and will take reasonable steps to ensure the diversity of its investment portfolio across investees, type of investments and investment maturity;

(b) All investments made must be genuine investments and not investments made for speculation purposes;

(c) All investments made on behalf of Drakenstein Municipality must be made in the name of the Municipality;

(d) Under no circumstances may inducements to invest be accepted;

(e) The CFO or any delegated official shall not as a general rule discuss nor disclose interest rates quoted by one institution to another institution while the investment transaction is in progress or any information regarding the current cash position or its projected future cash flows of the municipality to investees. After the transaction has been finalised, limited information such as interest rates quoted by one institution may be disclosed to another institution; and

(f) The business ethics of any controlling body of which the relevant financial institution is a member must be observed by such institution or body at all times.

6. INVESTMENT PRINCIPLES AND PRACTICES

6.1 **According to Government Gazette No. 27431 of 1 April 2005, the following are permitted investments which a municipality may invest in –**

(a) Securities issued by the national government;

(b) Listed corporate bonds with an investment grade rating from a national or internationally recognised credit rating agency;

(c) Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);

(d) Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);

(e) Deposits with the corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);

(f) Banker's acceptance certificates or negotiable certificates of deposits of bank registered in terms of the Banks Act, 1990;

(g) Guaranteed endowment policies with the intention of establishing a sinking fund;

(h) Repurchase agreement with banks registered in terms of the Banks Act, 1990;

(i) Municipal bonds issued by a municipality; and

(j) Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consulting with the Financial Services Board.

6.2 Taking the above mentioned guidelines into account, the following guiding principles are to be adhered to in order to facilitate the administration of Council's investment portfolio.

6.2.1 Limit exposure to single institution

(a) Investment of funds, where this involves large amounts, should be distributed over more than one institution in order to limit Council's risk exposure.

(b) It is considered prudent that not more than 50% (thus implying 50.01% and more) of Council's investment portfolio should be held with any specific Institution, as identified in Annexure B: Preferred List of Investment Institutions, at time of investment.

(c) Management will have the delegated right to review Annexure B on an annual basis and change (if necessary), provided that all changes should be reported to Council.

6.2.2 Risks and Return

(a) Although the objective of the Chief Financial Officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned.

(b) No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions.

6.2.3 Borrowing for Re-Investment

(a) Council should refrain from borrowing monies for the purpose of re-investment, as this is tantamount to speculation with public funds.

6.2.4 Nominee Accounts

(a) All monies shall be invested directly with the relevant institutions. On no account may monies be placed in a nominee account.

6.2.5 Prohibited Investments

(a) Drakenstein Municipality shall not be permitted to make investments in –

(i) Listed or unlisted shares, or unit trusts;

(ii) Stand-alone derivative instruments;

(iii) Investments denominated in, or linked to, foreign currencies;

(iv) Market linked endowment policies; or

(v) Credit linked notes.

(b) The municipality shall not borrow for the purpose of investing.

(c) The municipality shall not buy and sell money market instruments, to speculate with the view to making capital profits.

7. CASH MANAGEMENT PRINCIPLES AND PRACTICES

7.1 General

1.1 Should it be ascertained that surplus funds are available for investment; then written quotations should be obtained from financial institutions for various forms of investment, investment terms and rates of interest.

1.2 The investment shall be placed with an institution offering the most favourable rate provided such investment is in accordance with the terms and conditions of this policy.

1.3 Institutions should be advised that, in submitting quotations, they must offer their best rates of interest and that no further negotiation or discussion will be entered into with them after they have submitted their quotation.

7.2 Payment of Commission

7.2.1 A certificate shall be issued in respect of each and every investment made by the financial institution receiving the investment and no payment of any commission or payment in kind will be made to any party in respect of the investment so made.

7.3 Internal Investments

7.3.1 Before planning to invest funds externally, consideration must be given to whether the funds may be utilised at an equivalent rate to substitute external borrowing as there is normally a margin between the rate at which Council may borrow funds and the rate at which investments may be made over similar periods.

7.4 Cash at Bank

7.4.1 When funds are held in a current account, it is a good business practice to operate a call account. The overriding principle is that funds in the current account are to be kept at an absolute minimum, except if interest rate on current account is more or less the same than a call deposit account.

7.5 Credit Worthiness

7.5.1 Prior to investing in smaller registered financial institutions, the Financial Officer must ensure that the Council is not over-exposed and should satisfy itself as to the credit-worthiness and previous track record of the institution before placing funds.

7.6 Receipting Management (Section 64 of MFMA)

7.6.1 All moneys received and receipted must be deposited the next working day in Council's primary bank account.

7.6.2 All revenue received by the Municipality, including revenue received by any collecting agent on its behalf, is recorded at least on a weekly basis.

7.6.3 All monies collected by the Municipality on behalf of another organ of state must be transferred to that organ of state at least on a monthly basis.

7.7 Expenditure Management (Section 65(2)(d) of MFMA)

7.7.1 All payments by the Municipality are made –

(a) Directly to the person to whom it is due unless otherwise for reasons as may be prescribed;

(b) Either electronically or by way of non-transferable cheques or cash payments for exceptional reasons and only to an approved / prescribed limit; and

(c) Creditor's payments must be paid within 30 days of the creditor's statement, with the exception of BBEEE's, where a seven day payment cycle may apply.

7.7.2 All payments are requested (payment requisition) by one signatory (B-signatory) and authorised by a second signatory (A-signatory). The responsibility lies with the B-signatory to verify all payments for corrections.

7.7.3 Cheque and electronic payments must be signed by two authorised signatures, two A-signatories or one A-signatory and one B-signatory. Two B-signatories may not authorise cheque and electronic payments.

7.8 Withdrawals (Section 11 of MFMA)

7.8.1 Only a senior official(s) acting on the written authority of the Accounting Officer may withdraw money or authorise the withdrawal of money from any of the Municipality's bank accounts and may do so only –

(a) To defray expenditure appropriated in terms of an approved budget;

(b) To defray expenditure authorised in terms of section 26(4);

(c) To defray unforeseeable and unavoidable expenditure authorised in terms of section 29 (1);

(d) In the case of a bank account opened in terms of section 12, to make payments from the account in accordance with subsection (4) of that section;

(e) To pay over to a person or organ of state money received by the municipality on behalf of that person or organ of state, including –

(i) Money collected by the municipality on behalf of that person or organ of state by agreement; or

(ii) Any insurance or other payments received by the municipality for that person or organ of state;

(f) To refund money incorrectly paid into a bank account;

(g) To refund guarantees, sureties and security deposits;

(h) For cash management and investment purposes in accordance with section 13;

(i) To defray increased expenditure in terms of section 31; or

(j) For such other purposes as may be prescribed.

7.8.2 Money may be withdrawn from a bank account in terms of subsection 7.8.1(b) to (j) without appropriation in terms of an approved budget.

7.8.3 The Accounting Officer must within 30 days after the end of each quarter –

(a) Table in the municipal council a consolidated report of all withdrawals made in terms of subsection 7.8.1(b) to (j) during that quarter; and

(b) Submit a copy of the report to the relevant provincial treasury and the Auditor-General.

7.9 Short Term Debt (Section 45 of MFMA)

7.9.1 A municipality may incur short-term debt only in accordance with and subject to the provisions of this Act and only when necessary to bridge –

(a) Shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or

(b) Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocation or long-term debt commitments.

7.9.2 A municipality may incur short-term debt only if –

(a) A resolution of the municipal council, signed by the mayor, has approved the debt agreement; and

(b) The Accounting Officer has signed the agreement or other document, which creates or acknowledges the debt.

7.9.3 For the purpose of subsection (2)(a), a municipal council may –

(a) Approve a short-term debt transaction individually; or

(b) Approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that –

(i) The credit limit must be specified in the resolution of the council;

(ii) The terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and

(iii) If the council approves a credit facility that is limited to emergency use, the Accounting Officer must notify the council in writing as soon as practical of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as options for repaying such debt.

7.9.4 A municipality –

(a) Must pay off short-term debt within the financial year; and

(b) May not renew or refinance short-term debt, whether its own debt or that of any other entity, where such renewal of refinancing will have the effect of extending the short-term debt into a new financial year.

7.9.5 A lender –

(a) No lender may wilfully extend credit to a municipality for the purpose of renewing or refinancing short-term debt that must be paid off in terms of subsection (4)(a).

(b) If a lender wilfully extends credit to a municipality in contravention of paragraph (a), the municipality is not bound to repay the loan or interest on the loan.

7.9.6 Subsection (5)(b) does not apply if the lender –

(a) Relied in good faith on written representations of the municipality as to the purpose of the borrowing; and

(b) Did not know and has no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt.

7.10 Cash Procedures

7.10.1 Internal Controls

The supervisor checks floats of all the cashiers on daily basis.

7.10.2 Issuing of Receipts

Potential clients come to the cash office, provide cashier with a municipal account to make a payment, the cashier will then issue a receipt.

7.10.3 Cancellation of Receipts

If and when the cashier makes an error in respect of payment receipted, the cashier will call the supervisor, to cancel the receipt. This is done while the client is still at the cash office, and re-issues the correct receipt to the client. The cashier and the supervisor then sign the cancelled receipt.

7.10.4 Cash Balancing

After the end of each shift, the cashier will count the monies received, and do a daily cashier balancing. If the amounts entered by the cashier are correct the system automatically prints a balancing report, but if the amounts entered by the cashier are not correct, the supervisor is called. The supervisor will then re-count the money, as well as the cash float, enter the supervisor password to establish what the cash collected for the day should be. If short the cashier will then pay the monies in immediately (refer to section 4.1.1(a)(ii)), if there is a surplus the cashier will receipt the surplus on the next working day. If the cashier balance's with the first attempt the procedure is that the supervisors will re-count the cash collected for the day, do a supervisor balancing and a report is generated automatically. This then balances off the cashier for that day and the day is then closed off and no transactions can be done for that day.

7.10.5 <u>Official Payment Receipting Methods</u>

(a) Direct Deposits, EFT payments and ACB (debit orders)

(i) Client will do a direct deposit into municipal bank account via the Internet or by deposit slip via their bank, using municipal account number, traffic fine reference number or any other

reference provided by the municipal officials as reference. This information is extracted daily and when doing uploads from the bank is then credited against the clients' accounts or the correct vote number.

(i) Accounts are also paid by means of a ACB (debit orders) payment by consumer's banker.

(b) 3rd Parties

Clients do a payment at Pick & Pay, Shoprite, SPAR, etcetera – refer to Annexure A. Up load's is done daily from external service provider extracting the information and then crediting the various clients' accounts.

(c) Cheque Deposit (including cheques received via mail previously)

The municipality will no longer accept any cheque payments as an official form of payment. This is due to various fraudulent activities associated with cheques and financial institutions moving towards a system whereby they will also no longer be accepting and/or issuing cheques.

8. CONTROLS OVER MANAGEMENT OF CASH & INVESTMENT

8.1 A proper record must be maintained of all investments made indicating at least the Institution, fund, interest rate, and maturing date.

8.2 The Financial Officer must retain all quotations received for record and audit purposes.

8.3 Interest must be correctly calculated, received and recorded timeously.

8.4 All investment certificates to be received via email in order to be backed-up on the server and any hard copies received to be kept in a securities file which shall be safeguarded in a fire proof safe.

8.5 In respect of grant funds, a separate file must be kept of the letter of grant and other pertinent information. Regular reports must be submitted to all grant agencies.

8.6 The Chief Financial Officer must compile and will be responsible for the maintenance of an Investment Register complying with audit requirements.

8.7 The Chief Financial Officer shall every month submit a report to the Council on the

Council's Investment portfolio, including the type of investment, interest rates, period of investment and summary of the exposures to particular financial institutions.

9. DELEGATION OF AUTHORITY

9.1 The Council may, in terms of Section 59 of the Municipal Systems Act 2000, delegate any of its functions and responsibilities in respect of this policy to a Committee of the Council, the Municipal Manager, the Chief Financial Officer or any political functionary of the Council provided that such delegation will not absolve the person to whom such a function or responsibility has been delegated from complying with any statutory reporting requirement or such reporting requirement as may be contained in this policy.

10. SHORT TITLE

10.1 This policy is called the Drakenstein Municipality Cash and Investment Policy.

ANNEXURE A: CONTRACTED 3RD PARTY VENDORS

List of approved and contracted 3rd Party Vendors

1. Municipal Accounts –

   Easy Pay receipting points at the following retail outlets:

   (i) Pick n Pay;
   (ii) Shoprite / Checkers / Usave;
   (iii) SPAR;
   (iv) Woolworths;
   (v) Boxers;
   (vi) Top it Up;
   (vii) PEP Stores;
   (viii) Game;
   (ix) Lewis;
   (x) Saverite; and
   (xi) Cash & Carry.

2. Traffic Fines –

   (a) Easy Pay receipting points; and
   (b) Syntell.

3. Pre-paid Electricity –

   (a) Pre-paid Electricity Vendors; and
   (b) Prepaid 24 website.

ANNEXURE B: PREFERRED LIST OF BANKING INSTITUTIONS

List of currently approved Investees

1. Deposit taking institutions –

    (a) ABSA Bank;
    (b) FirstRand Bank;
    (c) Investec Bank;
    (d) Nedbank;
    (e) Standard Bank;
    (f) Grindrod Bank;
    (g) Public Investment Commissioners; and
    (h) Corporation for Public Deposits.

2. Corporate bond issuers –

    (a) None currently approved.

3. Municipal bond issuers –

    (a) None currently approved.

4. Endowment policy issuers –

    (a) None currently approved.

5. National Government / Parastatals –

    (a) RSA fixed income stock; and
    (b) Eskom fixed income stock.

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Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy

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1. PURPOSE OF THE POLICY

1.1 A policy for unauthorised, irregular, fruitless and wasteful expenditure must be compiled and adopted by municipalities to ensure compliance with Section 32 of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) and MFMA Circular 68 dealing with unauthorised, irregular, fruitless and wasteful expenditure issued by National Treasury on 10 May 2013.

1.2 The objectives of this policy are –

(a) To state the regulatory and legislative requirements surrounding fruitless, wasteful and irregular expenditure.

(b) To provide definitions of fruitless, wasteful and irregular expenditure.

(c) To provide examples of fruitless, wasteful and irregular expenditure.

(d) To outline procedures to manage such expenditures.

(e) To inform officials of the consequences of not complying with the relevant regulatory and legislative requirements.

2. DEFINITIONS

2.1 In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

2.1.1 **"Department"** means any internal department of the Drakenstein Municipality as per the latest approved Organisational Structure of Council;

2.1.2 **"Fruitless and wasteful expenditure"** means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

2.1.3 **"Irregular expenditure"** in relation to a Municipality or municipal entity, means-

(a) Expenditure incurred by a Municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) Expenditure incurred by a Municipality or municipal entity or in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) Expenditure incurred by a Municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

2.1.4 **"Municipality"** means Drakenstein Municipality (DM);

2.1.5 **"Official"** means any person employed by the Drakenstein Municipality, be it in the capacity as a permanent official, temporary official, intern or contracted employee (in terms of Section 57 of the Municipal Systems Act, Act 32 of 2000 or any other form of employment contract);

2.1.6 **''overspending''** –

(a) In relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure as the case may be;

(b) In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or

(c) In relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;

2.1.7 **"The Act"** means the Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

2.1.8 **"The POBA"** means the Public Office-Bearers Act, 1998 (Act No. 20 of 1998);

2.1.9 **"Unforeseen and unavoidable expenditure"** means expenditure that –

(a) Could not have been foreseen at the time the annual budget of the municipality was passed;

(b) The delay that will be caused by a pending adjustments budget may –

(i) Result in significant financial loss for the municipality;

(ii) Cause a disruption or suspension or serious threat to the continuation of municipal services;

(iii) Lead to loss of life or serious injury or significant damage to property; and

(iv) Obstruct the municipality from instituting or defending legal proceedings on an urgent basis;

2.1.10 **"Unauthorised expenditure"** in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes –

(a) Overspending of the total amount appropriated in the municipality's approved budget;

(b) Overspending of the total amount appropriated for a vote in the approved budget;

(c) Expenditure from a vote unrelated to the department or functional area covered by the vote;

(d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

(e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or

(f) A grant by the municipality otherwise than in accordance with the Act;

2.1.11 **‘‘Vote’**’ means –

(a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different department or functional areas of the municipality; and

(b) Which specifies the total amount that is appropriated for the purposes of the department or the functional area concerned.

3. LEGAL FRAMEWORK

3.1 The following Laws and regulations, amongst others, inform this policy –

3.1.1 Section 32 of the MFMA reading as follows –

(1) Without limiting liability in terms of the common law or other legislation –

(a) A political office-bearer of a municipality is liable for unauthorised expenditure if that office-bearer knowingly or after having been advised by the Accounting Officer of the municipality that the expenditure is likely to result in unauthorised expenditure, instructed an official of the municipality to incur the expenditure;

(b) The Accounting Officer is liable for unauthorised expenditure deliberately or negligently incurred by the Accounting Officer, subject to subsection (3);

(c) Any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure, is liable for that expenditure; or

(d) Any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

(2) A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure –

(a) In the case of unauthorised expenditure, is –

(i) Authorised in an adjustments budget; or

(ii) Certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and

(b) In the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

(3) If the Accounting Officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the Accounting Officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the Accounting Officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure."

3.1.2 Section 176 of the MFMA which reads as follows –

(1) No municipality or any of its political structures, political office-bearers or officials, no municipal entity or its board of directors or any of its directors or officials, and no other organ of state or person exercising a power or performing a function in terms of this Act, is liable in respect of any loss or damage resulting from the exercise of that power or the performance of that function in good faith.

(2) Without limiting liability in terms of the common law or other legislation, a municipality may recover from a political office-bearer or official of the municipality, and a municipal entity may recover from a director or official of the entity, any loss or damage suffered by it because of the deliberate or negligent unlawful actions of that political office-bearer or official when performing a function of office.

3.1.3 Section 170 and 173 of the MFMA.

3.1.4 Regulation 23 and 74 of the Municipal Budget and Reporting Regulations.

3.1.5 Relevant GRAP Standards.

4. ROLE OF THE ACCOUNTING OFFICER

4.1 The Accounting Officer is responsible, amongst others, for the following –

4.1.1 Exercise all reasonable care to prevent and detect irregular, unauthorised, fruitless and wasteful expenditure and must for this purpose implement effective, efficient and transparent processes of financial and risk management;

4.1.2 Inform the Executive Mayor, Mayoral Committee and Council (in writing), as the case may be, if a decision is taken which, if implemented, is likely to result in irregular, unauthorised, fruitless and wasteful expenditure;

4.1.3 On discovery of any irregular, unauthorised, fruitless and wasteful expenditure to report promptly (in writing), the particulars of the expenditure to the Executive Mayor; and

4.1.4 Follow the prescribed processes to deal with irregular, unauthorised, fruitless, and wasteful expenditure.

5. PROCEDURE FOR UNFORESEEN AND UNAVOIDABLE EXPENDITURE

5.1 DM hereby adopts the MFMA Budget and Reporting Regulations' prescribed processes to be followed for the approval of unforeseeable and unavoidable expenditure as set out below –

(a) No unavoidable expenditure exceeding R15 million may be approved during a financial year.

(b) Any official / department becoming aware of the need to incur unforeseen or unavoidable expenditure must immediately approach the Chief Financial Officer with the full details on the unforeseen expenditure, providing information on the consequences of not incurring the expenditure as well as an indication of the expected cost (both for the current year as well as any recurring cost resulting from the event). A confirmation that the expenditure does not constitute expenditure that may not be allowed by the Executive Mayor as per section 73(2) of the MFMA Budget and Reporting Regulations must be given by the department when approaching the CFO.

(c) The Chief Financial Officer will determine whether the cost cannot be dealt with through a process of shifting of funds within the relevant votes in terms of the virements policy. If sufficient funds are available, the virements process will be followed. If not, the matter will be reported to the City Manager for consideration as unforeseen and unavoidable expenditure.

(d) Once the City Manager has granted approval, the relevant Executive Director will be authorised to submit a report to the Executive Mayor requesting approval. If approval

is granted, the financial system will be adjusted to allow the department to process the financial transaction.

(e) The abovementioned process will be dealt with as highest priority to ensure that administrative delays do not exacerbate the situation.

(f) An adjustments budget will be submitted to the next Council meeting. The preferred process would be to shift funds between votes to avoid any negative impact on the total cash position of Council.

6. EXAMPLES OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

6.1 The following examples are only guides and are not exhaustive.

6.2 Fruitless and wasteful expenditure

(a) Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

(b) Fruitless and wasteful expenditure in DM includes the following –

(i) Procuring of goods and services that are not beneficial to the municipality;

(ii) Costs of goods and services are in excess of what would have been the case have proper procedures been followed (quotes etcetera);

(iii) Renting of property when sufficient and appropriate unoccupied property is owned by the municipality;

(iv) Exuberant costs on parties, entertainment, etcetera;

(v) Incurring penalty and interest costs on late payment of accounts; and

(vi) Mismanagement of funds.

6.3 Irregular expenditure

(a) Irregular expenditure in DM is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

(b) Irregular expenditure in DM includes the following –

(i) Irregular expenditure incurred as a result of institutions procuring goods or services by means other than through competitive bids and where reasons for deviating from inviting competitive bids have not been recorded and approved by the Accounting Officer;

(ii) Irregular expenditure incurred as a result of non-compliance with a requirement of the municipality's delegations of authority;

(iii) Irregular expenditure incurred due to it being in contravention of the municipality's Supply Chain Management Policy;

(iv) Irregular expenditure incurred in favour of service providers who are in the service of state; and

(v) Irregular expenditure incurred as a result of non-compliance with a provision contained in any applicable legislation.

6.4 Unauthorised expenditure

(a) Unauthorised expenditure in DM is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

(b) Unauthorised expenditure in DM includes the following –

(i) Procuring of goods and services that are not budgeted for;

(ii) Expenditure not in terms of the conditions of an allocation (grants, etcetera) received from another sphere of government, entity or organ of state; and

(iii) Expenditure in the form of a grant that is not permitted in terms of the MFMA.

7. PROCESS TO BE FOLLOWED IN CASES OF UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

7.1 Any unauthorised, irregular or fruitless and wasteful expenditure as defined above must be promptly reported to the Chief Financial Officer who will initiate the process of dealing with the unauthorised, irregular or fruitless and wasteful expenditure.

7.2 A register will be maintained by the Manager: Supply Chain Management to record all instances of unauthorised, irregular, fruitless and wasteful expenditure. The format of the register will be consistent with Annexure A of MFMA Circular 68 issued on 10 May 2013.

7.3 Upon receiving a report of unauthorised, irregular or fruitless and wasteful expenditure, the CFO will advise, in writing, the City Manager and the Chief Audit Executive (CAE).

7.4 The CAE will institute an investigation as contemplated in section 32 of the MFMA, and in particular, determine the following –

(a) Nature of the non-compliance (i.e. non-compliance with MFMA, MSA, Remuneration of Public Officer Bearer's Act, etcetera);

(b) Nature and reason for the unauthorised expenditure, irregular or fruitless and wasteful expenditure;

(c) Whether the unauthorised, irregular or fruitless and wasteful expenditure was as a result of an instruction given, and if so, by whom. In addition, whether the Accounting Officer or official involved advised that such a decision would result in unauthorised, irregular or fruitless and wasteful expenditure;

(d) Whether the irregular expenditure result from a minor breach in the procurement policy;

(e) Whether the municipality suffered a financial loss;

(f) Whether the Accounting Officer / official / public officer bearer acted deliberately, negligently, or grossly negligently;

(g) Grounds shown as to why the unauthorised expenditure should be authorised (such as interest of the municipality);

(h) Whether the Accounting Officer can condone the non-compliance with the SCM policy as a minor breach;

(i) Whether the non-compliance must be submitted to the National Treasury for condonation; and

(ij) Whether the non-compliance must be submitted to the Minister of Co- operative Governance and Traditional Affairs for condonation.

7.5 The findings of the CAE will be submitted to the City Manager for consideration of the following –

(a) Introduction of an adjustments budget to authorise the un-authorised expenditure (if unforeseen and unavoidable and the process outlined in paragraph 3 of this policy could not be followed);

(b) Recommendation to recover funds;

(c) Recommendation to write-off the funds as irrecoverable; or

(d) Disciplinary / Criminal action to be instituted.

7.6 The CAE must, in considering the above, take due cognisance of section 176 of the MFMA.

7.7 The City Manager must advise the Executive Mayor of the unauthorised, irregular or fruitless and wasteful expenditure and the recommendations that will be made to the Municipal Public Accounts Committee (MPAC).

7.8 The Executive Director: Corporate Services will be responsible to institute criminal charges where applicable.

7.9 The findings of the CAE and the recommendations of the City Manager will be submitted to MPAC for consideration of the following –

(a) Introduction of an adjustments budget to authorise the un-authorised expenditure (if unforeseen and unavoidable and the process outlined in paragraph 3 of this policy could not be followed);

(b) Recommendation to recover funds; or

(c) Recommendation to write-off the funds as irrecoverable.

7.10 The recommendations of MPAC will be submitted to the next Executive Mayor and Mayoral Committee and to Council for final decision.

7.11 Upon conclusion of the Council process, the Chief Financial Officer must promptly advise the MEC for Local Government and the Auditor General of the unauthorised, irregular or fruitless and wasteful expenditure and the decision taken by Council.

7.12 If the unauthorised expenditure is not authorised by Council, the funds must be recovered from the liable official or political officer bearer (within 30 days or in reasonable instalments).

7.13 The Register of unauthorised, irregular or fruitless and wasteful expenditure will form part of the City Manager's management meeting agenda to ensure the reported items are dealt with in a prompt manner.

7.14 All instances of unauthorised, irregular, fruitless and wasteful expenditure must be disclosed in the annual financial statements and the annual report.

7.15 The Chief Financial Officer must initiate a special adjustments budget (if applicable) to deal with the authorisation of unauthorised expenditure.

8. INVESTIGATIONS AND DISCIPLINARY ACTIONS

8.1 In terms section 172 and 173 of the MFMA, an Accounting Officer is guilty of financial misconduct and an offence respectively if he or she –

(a) Wilfully or negligently fails to take effective and appropriate steps to prevent unauthorised, irregular or fruitless and wasteful expenditure as required by the MFMA;

(b) Fails to take effective and appropriate disciplinary steps against an official in the department who makes or permits unauthorised, irregular or fruitless and wasteful expenditure; and

(c) Fails to report unauthorised, irregular or fruitless and wasteful expenditure in terms of the MFMA.

8.2 As soon as the Accounting Officer becomes aware of an allegation of financial misconduct against an official, the Accounting Officer has a responsibility to ensure that he / she initiates an investigation into the matter and if the allegations are confirmed, holds a disciplinary hearing in accordance with the prescripts of the applicable legislation.

8.3 In terms of section 172 of the MFMA, an official of a department to whom a duty or power has been assigned commits an act of financial misconduct if that official wilfully or negligently fails to perform that duty or exercise that power in line with applicable legislation.

8.4 In terms of the MFMA, the Accounting Officer must take appropriate and effective disciplinary steps against an official who makes or permits unauthorised, irregular or fruitless and wasteful expenditure.

8.5 When an Accounting Officer determines the appropriateness of disciplinary steps against an official in terms of applicable legislation, he or she must take into account the following –

(a) Circumstances of the transgression;

(b) Extent of the expenditure involved; and

(c) Nature and seriousness of the transgression

9. REPORTING

9.1 The Accounting Officer must comply with the following reporting requirements –

(a) Immediately upon discovery of unauthorised, irregular or fruitless, and wasteful expenditure, the Accounting Officer must report the details of the unauthorised, irregular or fruitless, and wasteful expenditure to the Executive Mayor.

(b) The report must include the following details –

(i) Amount of the unauthorised, irregular or fruitless and wasteful expenditure;

(ii) Name of the vote from which the expenditure was made;

(iii) Reason why the unauthorised, irregular or fruitless and wasteful expenditure could not be avoided;

(iv) Name and title of the responsible official;

(v) Details of any recovery steps taken or to be taken by the municipality; and

(vi) Details of any disciplinary steps taken or to be taken by the municipality.

(c) All unauthorised, irregular or fruitless and wasteful expenditure must be reported as a note to the annual financial statements.

10. CONCLUSION

10.1 Irregular expenditure resulting from non-compliance with the MFMA and the MSA can't be condoned by Council and approval must be sought from the National Treasury and the Minister of Co-operative Governance and Traditional Affairs respectively.

10.2 Irregular expenditure resulting from non-compliance with the Public Officer Bearer's Act can't be condoned and such irregular expenditure must be recovered from the political officer bearer concerned.

10.3 A council may condone irregular expenditure resulting from a contravention of the SCM policy provided that the contravention is not also a contravention of the MFMA or the SCM Regulations, in which case only the National Treasury can condone a contravention of the SCM Regulations.

10.4 Minor breaches of the procurement process can be ratified by the Accounting Officer (if the municipality's SCM policy allows for it). Only the breaches in the process can be ratified and not the irregular expenditure itself. The irregular expenditure must still be ratified by Council.

11. SHORT TITLE

11.1 This policy is called the Drakenstein Municipality Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy.

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Supply Chain Management Policy

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1. Definitions

1.1 In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

1.1.1 **"Act"** means the Municipal Finance Management Act, No. 56 of 2003;

1.1.2 **"Bid"** means a written offer in a prescribed or stipulated form in response to an invitation by the municipality for the provision of goods, services or construction works through price quotations, advertised competitive bidding process or proposals;

1.1.3 **"Bidder"** means any person submitting a competitive bid or a quotation;

1.1.4 **"Closing time"** means the time and day specified in the bid documents for the receipt of bids;

1.1.5 **"Competitive bidding process"** means a competitive bidding process referred to in paragraph 12(2)(b)(iii) of this Policy;

1.1.6 **"Competitive bid"** means a bid in terms of a competitive bidding process;

1.1.7 **"Contract"** means the agreement which is concluded when the municipality accepts, in writing, a competitive bid or quotation submitted by a supplier;

1.1.8 **"Contract manager"** means an official of the Municipality who is responsible for the planning for the planning and execution of a transaction involving the procurement of goods, services or works.

1.1.9 **"Contractor"** means any person or entity whose competitive bid or quotation has been accepted by the municipality;

1.1.10 **"Delegated authority"** means any person or committee delegated with authority by the municipality in terms of the provisions of the Municipal Finance Management Act;

1.1.11 **"Department"** means a section within a specific directorate in terms of the municipal organigram;

1.1.12 **"Electronic format"** means a bid submitted by a bidder via email or made available through a cloud storage service;

1.1.13 "**Emergency dispensation"** means emergency as referred to in paragraph 36(1)(a)(i) of this policy under which one or more of the following is in existence that warrants an emergency dispensation;

(a) The possibility of human injury or death;

(b) The prevalence of human suffering or deprivation of rights;

(c) The possibility of damage to property, or suffering and death of livestock and animals;

(d) The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole;

(e) The possibility of serious damage occurring to the natural environment;

(f) The possibility that failure to take necessary action may result in the municipality not being able to render an essential community service;

(g) The possibility that the security of the state could be compromised; or

(h) The prevailing situation, or imminent danger, should be of such a scale and nature that it could not readily be alleviated by interim measures, in order to allow time for the formal procurement process. Emergency dispensation shall not be

granted in respect of circumstances other than those contemplated above.

1.1.14 **"Final award"** in relation to bids or quotations submitted for a contract, means the final decision on which a bid or quote is accepted in terms of the delegated powers as per the System of Delegations;

1.1.15 **"Formal written price quotation"** means quotations referred to in paragraph 12 (1) (d) of this Policy;

1.1.16 **"Green procurement"** means the procurement of environmentally friendly products and services;

1.1.17 **"in the service of the state"** means to be –

(a) A member of –

(i) Any municipal council;

(ii) Any provincial legislature; or

(iii) The National Assembly or the National Council of Provinces;

(b) A member of the board of directors of any municipal entity;

(c) An official of any municipality or municipal entity;

(d) An employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the public Finance Management Act, 1999 (Act No.1 of 1999);

(e) A member of the accounting authority of any national or provincial

public entity; or

(f) An employee of Parliament or a provincial legislature;

1.1.18 **"Long term contract"** means a contract with a duration period exceeding one year and does not have the same meaning as contracts of a long term nature referred to in paragraph 22(1)(b)(vi)of this policy;

1.1.19 **"Long term nature contract"** means a contract as defined by section 33(1) of the Municipal Finance Management Act imposing financial obligations on the Municipality beyond the first three years covered in the approved annual budget;

1.1.20 **"List of accredited prospective providers"** means the list of accredited prospective providers, which the Drakenstein Municipality must keep in terms of paragraph 14 of this policy;

1.1.21 **"Other applicable legislation"** means any other legislation applicable to municipal supply chain management, including but not limited to the following:

(a) The Preferential Procurement Policy Framework Act;

(b) The Broad-Based Black Economic Empowerment Act; ~~and~~

(c) The Construction Industry Development Board Act;

(d) The Local Government: Municipal Systems Act;

(e) The Competition Act; and

(f) The Promotion of Administrative Justice Act.

1.1.22 **"Policy"** means the Supply Chain Management Policy of Drakenstein municipality as amended from time to time;

1.1.23 "**Parent municipality"** has the meaning assigned to it in section 1 of the Municipal Systems Act;

1.1.24 **"Petty Cash"** means the procurement of goods and services through the supply chain management requisition and order system by means of one verbal and written quotation below a determined amount;

1.1.25 **"Single source"** refers to when the competition exist in the market, but from a selected few suppliers due to technical capabilities and abilities comply with the requirements of the municipality;

1.1.26 **"Sole Supplier"** It refers in instances where there is no competition and only one service provider exist in the market, with sole distribution rights and/or patent rights or manufacturer;

1.1.27 **"Strip and quote"** When the repairs and maintenance on our machines, vehicles are done by one supplier and/or strip-and-quote, for example a municipal vehicle that needs repairs enters the workshop, however to do the repairs, the vehicle has to be send to a supplier that determines what repairs should be done;

1.1.28 **"Supplier database"** means the list of accredited prospective providers which the municipality or municipal entity must keep in terms of the Regulation 14 of the Supply Chain Management Regulations;

1.1.29 **"Technical expert"** means an executive director or his representative that serves as a member of the Bid Adjudication Committee whom must be present at the Bid Adjudication Committee when an item is considered from his/her department;

1.1.30 **"Treasury guidelines"** means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

1.1.31 **"Trust"** means the agreement through which the property of one person is made over or bequeathed to a trustee to administer such property for the benefit of another person;

1.1.32 **"Trustee"** means any person, including the founder of a trust, to whom property is bequeathed in order for such property to be administered for the benefit of another person;

1.1.33 **"The Regulations"** means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

1.1.34 **"The PPPF Regulations"** means the Preferential Procurement Policy Regulations, 2017 published under Government Notice R.32 in Government Gazette 40553 of 20 January 2017; and

1.1.35 **"Written or verbal quotations"** means quotations referred to in paragraph 12(1)(b) & (c) of this Policy.

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. Supply chain management policy

(1) All officials and other role players in the supply chain management system of the Drakenstein Municipality must implement this Policy in a way that –

(a) Gives effect to –

(i) Section 217 of the Constitution; and

(ii) Part 1 of Chapter 11 and other applicable provisions of the Act;

(b) Is fair, equitable, transparent, competitive and cost effective;

(c) Complies with –

(i) The Regulations; and

(ii) Any minimum norms and standards that may be prescribed in terms of section 168 of the Act;

(d) Is consistent with other applicable legislation;

(e) Does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and

(f) Is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

(2) The municipal entity must, in addition to complying with subparagraph (1), apply this Policy, to the extent determined by the parent municipality, in a way that is consistent with the supply chain management policy of the parent municipality.

(3) This Policy applies when the Drakenstein Municipality –

(a) Procures goods or services;

(b) Disposes goods no longer needed;

(c) Selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

(d) Selects external mechanisms referred to in section 80(1)(b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

(4) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including-

(a) Water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and

(b) Electricity from Eskom or another public entity, another municipality or a municipal entity.

3. Amendment of the supply chain management policy

(1) The Accounting Officer must –

(a) At least annually review the implementation of this Policy; and

(b) When the Accounting Officer considers it necessary, submit proposals for the amendment of this Policy to the Drakenstein Council.

(2) If the Accounting Officer submits proposed amendments to the Drakenstein Council that differs from the model policy issued by the National Treasury, the Accounting Officer must -

(a) Ensure that such proposed amendments comply with the Regulations; and

(b) Report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

(3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

4. Delegation of supply chain management powers and duties

(1) The Drakenstein Council hereby delegates all powers and duties to the Accounting Officer, which are necessary to enable the Accounting Officer –

(a) To discharge the supply chain management responsibilities conferred on Accounting Officers in terms of –

(i) Chapter 8 or 10 of the Act; and

(ii) This Policy;

(b) To maximize administrative and operational efficiency in the implementation of this Policy;

(c) To enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and

(d) To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

(2) Sections 79 and 106 of the Act apply to the sub-delegation of powers and duties delegated to an Accounting Officer in terms of subparagraph (1).

(3) The Accounting Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of Drakenstein Municipality or to a committee, which is not exclusively composed of officials of the Drakenstein Municipality.

(4) This paragraph may not be read as permitting an official, to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

5. Sub-delegations

(1) The Accounting Officer may in terms of section 79 or 106 of the Act sub-delegate any supply chain management powers and duties, including those delegated to the Accounting Officer in terms of this Policy, but any such sub-delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy**.**

(2) The power to make a final award –

(a) Above R 10 million (VAT included) may not be sub-delegated by the Accounting Officer;

(b) Above R 200,000 (VAT included), but not exceeding R 10 million (VAT included), may be sub-delegated but only to –

(i) The Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is a member; or

(ii) Accounting Officer of the municipality, after due consideration of all facts was done; and

(c) Below R 200,000 (VAT included) to be disposed by delegated official according approved delegatory power and functions issued by Accounting Officer.

(3) The Bid Adjudication Committee to which the power to make final awards has been sub-delegated in accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including –

(a) The amount of the award;

(b) The name of the person to whom the award was made; and

(c) The reason why the award was made to that person.

(4) A written report referred to in subparagraph (3) must be submitted –

(a) To the Accounting Officer, in the case of an award by –

(i) The Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is a member; or

(b) To the Chief Financial Officer or the senior manager responsible for the relevant bid, in the case of an award by –

(i) The Bid Adjudication Committee of which the Chief Financial Officer or a senior manager is not a member.

(5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.

(6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

(7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

6. Oversight role of council

(1) The Drakenstein Council reserves its right to maintain oversight over the implementation of this Policy.

(2) For the purposes of such oversight the Accounting Officer must –

(i) Within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and

(ii) Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to Council.

(3) The Accounting Officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Executive Mayor.

(4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

7. Supply chain management unit

(1) A supply chain management unit is hereby established to implement this Policy.

(2) The supply chain management unit operates under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

8. Training of supply chain management officials

(1) The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training.

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

9. Format of supply chain management system

(1) This Policy provides systems for –

(i) Demand management;

(ii) Acquisition management;

(iii) Logistics management;

(iv) Disposal management;

(v) Risk management; and

(vi) Performance management.

Part 1: Demand management

10. System of demand management

(1) The Accounting Officer must establish and implement an appropriate demand management system in order to ensure that the resources required by Drakenstein Municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.

(2) The demand management system must –

(a) Include timely planning and management processes to ensure that all goods and services required by Drakenstein Municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;

(b) Take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;

(c) Provide for the compilation of the required specifications to ensure that its needs are met; and

(d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

(3) Green procurement must be incorporated as far as reasonably possible for all specifications of goods, services and construction works.

(4) In the development of bid specifications, innovative mechanisms should be explored to render the service or product more resource and energy efficient.

Part 2: Acquisition management

11. System of acquisition management

(1) The Accounting Officer must implement the system of acquisition management set out in this Part in order to ensure –

(a) That goods and services are procured by Drakenstein Municipality in accordance with authorised processes only;

(b) That expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;

(c) That the threshold values for the different procurement processes are complied with;

(d) That bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation; and

(e) That any Treasury guidelines on acquisition management are properly taken into account.

(2) When procuring goods or services contemplated in section 110(2) of the Act, the Accounting Officer must make public the fact that such goods or services are procured otherwise than through the Drakenstein Municipality supply chain management system, including –

(a) The kind of goods or services; and

(b) The name of the supplier.

(3) The Accounting Officer may on motivation of an Executive Director extend the bid closing date, if circumstances justify the action, provided that the closing date may not be extended unless a notice is published by the

Manager: Supply Chain Management in the same newspapers as the original advertisement as well as the website, prior to the original bid closing date. All prospective bidders must also be informed in writing by the relevant Executive Director of the extension of the bid closing date.

(4) Unless otherwise indicated in the bid documents, the Municipality shall not be liable for any expenses incurred by prospective bidders in the preparation and / or submission of a bid or quotation.

12. Range of procurement processes

(1) Goods and / or services may only be procured by way of –

(a) Cash purchases administered by the Expenditure Division up to a transaction value as defined in Council's Petty Cash Policy;

(b) Petty cash purchases through one verbal and written quotation for the procurement of goods through the supply chain management requisition and order system of a transaction value between R0 and R2,000 (VAT included);

(c) Written or verbal quotations for procurement of goods and/or services of a transaction value between R2,000 and R10,000 (VAT included);

(d) Formal written quotations for procurement of goods and/or services of a transaction value between R10,000 and R200,000 (VAT included;

(e) Procurements above a transaction value of R200,000 (VAT included); and

(f) The procurement of long-term contracts.

(2) The Accounting Officer may, in writing-

(a) Lower, but not increase, the different threshold values specified in subparagraph (1); or

(b) Direct that –

(i) Written quotations are obtained for any specific procurement of a transaction value lower than R2,000;

(ii) Written price quotations be obtained for any specific procurement of a transaction value lower than R10,000; or

(iii) A competitive bidding process be followed for any specific procurement of a transaction value higher than R200,000.

(3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

13. General preconditions for consideration of written quotations or bids

(1) A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –

(a) Has furnished that provider's –

(i) Full name;

(ii) Identification number or company or other registration number; and

(iii) Tax reference number and VAT registration number, if any;

(b) Has authorised the Drakenstein Municipality to obtain a tax clearance, if applicable from the South African Revenue Services that the provider's tax matters are in order; and

(c) Has indicated –

(i) Whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;

(ii) If the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or

(iii) Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

14. Lists of accredited prospective providers

(1) The Accounting Officer must –

(a) Keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations;

(b) At least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;

(c) Specify the listing criteria for accredited prospective providers as stated within the database registration forms; and

(d) Disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

(2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.

(3) The list must be compiled per commodity and per type of service.

15. Petty cash purchases

(1) The Accounting Officer must establish the conditions for the procurement of goods by means of cash purchases and petty cash purchases referred to in paragraph 12(1)(a) of this Policy, which must include conditions –

(a) determining the terms on which a manager may delegate responsibility for cash purchases and petty cash purchases to an official reporting to the manager;

(b) limiting the maximum number of cash purchases and petty cash purchases or the maximum amounts per month for each manager;

(c) excluding any types of expenditure from cash purchases and petty cash purchases, where this is considered necessary;

(d) requiring a monthly reconciliation report from each manager to the Chief Financial Officer, including –

(i) the total amount of cash purchases and petty cash purchases for that month; and

(ii) receipts and appropriate documents for each purchase; and

(e) any other conditions determined by the Chief Financial Officer.

(2) Cash purchases will be dealt with in terms of the Petty Cash Policy of Council.

(3) Petty cash purchases will be dealt with in terms of the Supply Chain Management Policy of Council.

16. Written quotations

(1) The conditions for the procurement of goods or services through written or verbal quotations are as follows –

(a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the Drakenstein Municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 13 of this Policy;

(b) Where no suitable providers are available from the list of accredited prospective providers, quotations may be obtained from other possible providers;

(c) To the extent feasible, providers must be requested to submit such quotations in writing;

(d) If it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the Accounting Officer or another official designated by the Accounting Officer;

(e) The Accounting Officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and

(f) If a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

17. Formal written price quotations

(1) The conditions for the procurement of goods or services through formal written price quotations are as follows:-

(a) Quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the Drakenstein Municipality. Quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 13 of this Policy;

(b) Where no suitable providers are available from the list of accredited prospective providers, quotations may be obtained from other possible providers not registered on the municipal supplier database;

(c) If it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the Chief Financial Officer;

(d) The Accounting Officer must record the names of the potential providers and their written quotations; and

(e) For the obtaining of quotations for services, Drakenstein Municipality will utilize their notice boards.

(2) A designated official referred to in subparagraph (1)(c) must within three days of the end of each month report to the Chief Financial Officer on any approvals given during that month by that official in terms of that subparagraph.

18. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations

(1) The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations is as follows –

(a) When using the list of accredited prospective providers the Accounting Officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;

(b) Where no suitable providers are available from the list of accredited prospective providers, quotations may be obtained from other possible providers not registered on the municipal supplier database;

(c) All requirements in excess of R30,000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the Drakenstein Municipality;

(d) Offers received must be evaluated on a comparative basis taking into account unconditional discounts;

(e) The Accounting Officer or Chief Financial Officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation;

(f) Offers below R30,000 (VAT included) must be awarded based on compliance to specification and conditions of contract, ability and capability to deliver the goods and services and lowest price;

(g) Acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points; and

(h) Drakenstein Municipality will maintain a proper record keeping system.

19. Competitive bids

(1) Goods or services above a transaction value of R200,000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.

(2) No requirement for goods or services above an estimated transaction value of R200,000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

20. Process for competitive bidding

(1) The procedures for the following stages of a competitive bidding process are as follows:-

(a) Compilation of bidding documentation as detailed in paragraph 21;

(b) Public invitation of bids as detailed in paragraph 22;

(c) Site meetings or briefing sessions as detailed in paragraph 22;

(d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;

(e) Evaluation of bids as detailed in paragraph 28;

(f) Award of contracts as detailed in paragraph 29;

(g) Administration of contracts;

(h) After approval of a bid, the Accounting Officer and the bidder must enter into a written agreement;

(i) Proper record keeping; and

(j) Original / legal copies of written contracts agreements must be kept in a secure place for reference purposes.

21. Bid documentation for competitive bids

(1) The criteria to which bid documentation for a competitive bidding process must comply, must –

(a) Take into account –

(i) The general conditions of contract and any special conditions of contract, if specified;

(ii) Any Treasury guidelines on bid documentation; and

(iii) The requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;

(b) Include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;

(c) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;

(d) If the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish –

(i) If the bidder is required by law to prepare annual financial statements (AFS) for auditing, their audited AFS –

(aa) For the past three years; or

(bb) Since their establishment if established during the past three years;

(ii) A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;

(iii) Particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;

(iv) A statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

(e) Stipulate that disputes must be settled by means of mutual consultation, mediation, adjudication (with or without legal representation), or, when unsuccessful, in a South African court of law;

22. Public invitation for competitive bids

(1) The procedure for the invitation of competitive bids is as follows –

(a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the Drakenstein Municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin and National Treasury's e-Tender Publication Portal); and

(b) The information contained in a public advertisement, must at least include the following –

(i) The title of the bid;

(ii) The bid number;

(iii) Functionality, if applicable;

(iv) Local content, if applicable;

(v) The place where the bid documentation is available for collection and the times between which bid documents may be collected;

(vi) The closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;

(vii) A statement that bids may only be submitted on the bid documentation provided by the Drakenstein Municipality;

(viii) Date, time and venue of any proposed site meetings or briefing sessions and whether such meetings are compulsory, if applicable;

(ix) Payment of a non-refundable fee is required by bidders wanting to collect bid documents which deposit amount shall be determined by the Municipal Council from time to time; and

(x) The bid validity period.

(2) The Accounting Officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

(3) Bids submitted must be sealed and must clearly indicate the bid number on the outside of the envelope for which the bid is being submitted.

(4) Where bids are requested by the Municipality in electronic format, such bids must be supplemented by sealed hard copies, in which case the hard copy will be bidding.

(5) The Municipality may require bidders to submit section(s) of their bid in electronic format, but only after the bid closing date. If the electronic copy differs from the original hard copy, the original hard copy will be binding.

23. Procedure for handling, opening and recording of competitive bids and formal written price quotations in excess of R30,000

(1) The procedures for the handling, opening and recording of bids are as follows–

(a) Bids –

(i) Must be opened only in public;

(ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and

(iii) Received after the closing time should not be considered and returned unopened immediately; and

(b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;

(c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award;

(d) The Accounting Officer must –

(i) Record in a register all bids received in time;

(ii) Make the register available for public inspection; and

(iii) Publish the entries in the register and the bid results on the website.

(e) <u>Bid validity periods</u>

(i) A minimum bid validity period will apply to all bids and will be calculated from the bid closure date. Bids shall remain in force and binding for the minimum bid validity period as indicated in the invitation to bid and the bid documents, subject to any

other applicable legislation and instructions from the National Treasury for specific types of procurement.

(ii) Unless otherwise indicated in writing by the bidder, the validity of bids submitted will automatically extend beyond the minimum bid validity period as set out in sub-paragraph (h)(i) above and will remain valid for acceptance until the bid award process, including the consideration of any appeals, objections or complaints, has been concluded.

(iii) Any bidder may at any time withdraw such bid in writing in which case such bid lapses and will not be further considered.

24. Negotiations with preferred bidders

(1) The Accounting Officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

(a) Does not allow any preferred bidder a second or unfair opportunity;

(b) Is not to the detriment of any other bidder; and

(c) Does not lead to a higher price than the bid as submitted.

(2) Minutes of such negotiations must be kept for record purposes.

25. Two-stage bidding process

(1) A two-stage bidding process is allowed for –

(a) Large complex projects;

(b) Projects where it may be undesirable to prepare complete detailed

technical specifications; or

(c) Long term projects with a duration period exceeding three years.

(2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

(3) In the second stage final technical proposals and priced bids should be invited.

26. Committee system for competitive bids

(1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the Accounting Officer may determine as issued within the directive and stating the terms of reference of each bid committee –

(a) A Bid Specifications Committee;

(b) A Bid Evaluation Committee; and

(c) A Bid Adjudication Committee.

(2) The Accounting Officer appoints the members of each committee, taking into account section 117 of the Act; and

(3) A neutral or independent observer, appointed by the Accounting Officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.

(4) The committee system must be consistent with –

(a) Paragraph 27, 28 and 29 of this Policy;

(b) Any other applicable legislation; and

(c) The Accounting Officer may apply the committee system to formal written price quotations.

27. Bid Specifications Committee

(1) A Bid Specifications Committee must compile the specifications for each procurement of goods or services by the Drakenstein Municipality.

(2) Specifications –

(a) Must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;

(b) Must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;

(c) Must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;

(d) May not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;

(e) May not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other

sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";

(f) Must indicate the preference points system set out in the Preferential Procurement Regulations 2017;

(g) Must be approved by the Accounting Officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy; and

(h) The Accounting Officer may sub-delegate the requirements in subparagraph 2(g) above to the Chairperson of the Bid Specifications Committee.

(3) A Bid Specifications Committee must be composed of one or more officials of the Drakenstein Municipality preferably the manager responsible for the function involved, and may, when appropriate, include external and / or internal specialist advisors.

(4) No person, advisor or corporate entity involved with the Bid Specifications Committee, or director of such a corporate entity, may bid for any resulting contracts.

28. Bid Evaluation Committees

(1) A Bid Evaluation Committee must –

(a) Evaluate bids in accordance with –

(i) The specifications for a specific procurement; and

(ii) The points system set out in terms of paragraph 27(2)(f);

(b) Evaluate each bidder's ability to execute the contract;

(c) Check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears; and

(d) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(2) A Bid Evaluation Committee must as far as possible be composed of –

(a) Officials from departments requiring the goods or services; and

(b) At least one supply chain management practitioner of the Drakenstein Municipality.

(3) The relevant user department's official shall carry out a preliminary evaluation of all valid bids received and shall submit a bid evaluation report to the Bid Evaluation Committee for consideration.

(4) Any evaluation of a bid shall consider the bids received and shall note for inclusion in the evaluation report, a bidder –

(a) Whose bid does not comply with the provisions of paragraph 38 of this Policy;

(b) Whose bid does not comply with the provisions of paragraph 13 of this

Policy;

(c) Whose bid is not in compliance with the specification;

(d) Whose bid is not in compliance with the terms and conditions of the bid documentation;

(e) Who is not registered and verified on the municipality's supplier database by the closing time for bids. In this regard bid

documentation shall state that the responsibility for registration and verification rests solely with the bidder;

(f) Who, in the case of construction works acquisitions, does not comply with the requirements of the Construction Industry Development Board Act regarding registration of contractors. Verification of compliance with this requirement shall be by means of Drakenstein Municipality's Supplier Database;

(g) Who has failed to submit a valid tax clearance from the South African Revenue Services (SARS) certifying that the taxes of the bidder are in order or that suitable arrangements have been made with SARS; and

(h) Who fails to comply with any applicable Bargaining Council agreement.

(5) Bids shall be evaluated according to the following as applicable –

(i) Bid price (corrected if applicable and brought to a comparative level where necessary);

(ii) The unit rates and prices;

(iii) The bidder's ability to fulfil its obligations in terms of the bid documents;

(iv) Any qualifications to the bid;

(v) The bid ranking obtained in respect of Preferential Procurement as required;

(vi) The financial standing of the bidder, including its ability to furnish the required institutional guarantee, where applicable; and

(vii) Any other criteria specified in the bid documents.

(6) The Bid Evaluation Committee shall check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears.

(7) The evaluation of bids on an equitable basis may be considered during the evaluation process.

(8) Additional information or clarification of bids may be called for if required.

(9) Alternative bids may be considered, provided that a bid free of qualifications and strictly in accordance with the bid documents is also submitted. Drakenstein Municipality shall not be bound to consider alternative bids. The alternative offer is to be submitted with the main offer together with a schedule that compares the specifications of the bid documents with the alternative offer.

(10) If a bidder requests in writing, after the closing of bids, that his/her bid be withdrawn, then such a request may be considered and reported in the bid evaluation report.

(11) If, after bids have been brought to a comparative level, two or more scores equal total adjudication points, regulation 10 of the Preferential Procurement Regulations of 2017 will apply.

(12) If two or more bids are equal in all respects after applying regulation 10(2) Preferential Procurement Regulations of 2017, the Bid Evaluation Committee shall draw lots to decide on the recommendation for award.

(13) All disclosures of conflict of interest shall be considered by the Bid Evaluation Committee and if the conflict of interest is of a material nature, this shall be reported to the Bid Adjudication Committee.

(14) The relevant Executive Director or the Manager: Supply Chain Management may, before the bid is considered by the Bid Evaluation Committee, provide a reasonable opportunity to a bidder who made an innocent error and / or omission in their bid document, to correct the innocent error and / or

omission, provided that such opportunity will not unduly prejudice any of the other bidders.

(15) In an event as described in sub-paragraph 14, bidders shall be afforded a minimum of two (2) working days up to a maximum of five (5) working days (on discretion of the relevant Executive Director or the Manager: Supply Chain Management) from time of notification to correct such innocent errors and / or omissions. If no response is received from such bidders at the deadline the bid may be deemed to be non-responsive.

29. Bid Adjudication Committees

(1) A Bid Adjudication Committee must –

(a) Consider the report and recommendations of the Bid Evaluation Committee; and

(b) Either –

(i) Depending on its delegations, make a final award or a recommendation to the Accounting Officer to make the final award; or

(ii) Make another recommendation to the Accounting Officer how to proceed with the relevant procurement.

(2) A Bid Adjudication Committee must consist of at least four senior managers of the Drakenstein Municipality, which must include –

(a) The Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer;

(b) At least one senior supply chain management practitioner who is an official of the Drakenstein Municipality; and

(c) A technical expert in the relevant field who is an official, if such an expert exists.

(3) The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

(4) Neither a member of a Bid Evaluation Committee, nor an advisor or person assisting the evaluation committee, may be a member of a Bid Adjudication Committee.

(5) (a) If the Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the Bid Adjudication Committee must prior to awarding the bid–

(i) Check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and

(ii) Notify the Accounting Officer.

(b) The Accounting Officer may –

(i) After due consideration of the reasons for the deviation, ratify or reject the decision of the Bid Adjudication Committee referred to in paragraph (a); and

(ii) If the decision of the Bid Adjudication Committee is rejected, refer the decision of the Adjudication Committee back to that committee for reconsideration.

(6) The Accounting Officer may at any stage of a bidding process, refer any recommendation made by the Evaluation Committee or the Adjudication

Committee back to that committee for reconsideration of the recommendation.

(7) The Accounting Officer must comply with section 114 of the Act within 10 working days

30. Procurement of banking services

(1) A contract for banking services –

(a) Must be procured through competitive bids;

(b) Must be consistent with section 7 or 85 of the Act; and

(c) May not be for a period of more than five years at a time.

(2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

(3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

31. Procurement of IT related goods or services

(1) The Accounting Officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

(2) Both parties must enter into a written agreement to regulate the services rendered by and the payments to be made to SITA.

(3) The Accounting Officer must notify SITA together with a motivation of the IT needs if –

(a) The transaction value of IT related goods or services required in any financial year will exceed R 50 million (VAT included); or

(b) The transaction value of a contract to be procured whether for one or more years exceeds R 50 million (VAT included).

(4) If SITA's comments on the submission and the Drakenstein Municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

32. Procurement of goods and services under contracts secured by other organs of state

(1) The Accounting Officer may procure goods or services under a contract secured by another organ of state, but only if –

(a) The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;

(b) There is no reason to believe that such contract was not validly procured;

(c) There are demonstrable discounts or benefits to do so; and

(d) That other organ of state and the provider has consented to such procurement in writing.

(2) Subparagraphs (1)(c) and (d) do not apply if –

(a) A municipal entity procures goods or services through a contract secured by its parent municipality; or

(b) A municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

(3) If Drakenstein Municipality should enter into a contract secured by other organs of state, it shall enter into a contract with the successful bidder(s) on the same terms and conditions as accepted by the relevant organ of state.

(4) Contracts entered into by Drakenstein Municipality under subparagraph (3) shall not be deemed to be a deviation from the official procurement processes.

(5) The Accounting Officer shall report to Council on a monthly basis all contracts entered into in terms of subparagraph (3) above.

33. Procurement of goods necessitating special safety arrangements

(1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided wherever possible.

(2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the Accounting Officer.

34. Proudly SA Campaign

(1) Drakenstein Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from -

(a) Firstly: Suppliers and businesses within the municipality or district;

(b) Secondly: Suppliers and businesses within the relevant province; and

(c) Thirdly: Suppliers and businesses within the Republic.

35. Appointment of consultants

(1) The Accounting Officer may procure consulting services provided that any Treasury guidelines in respect of consulting services or Construction Industry Development Board guidelines in respect of services related to the built environment and construction works are taken into account when such procurements are made.

(2) Consultancy services must be procured through competitive bids if –

(a) The value of the contract exceeds R200,000 (VAT included); or

(b) The duration period of the contract exceeds one year.

(3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

(a) All consultancy services provided to an organ of state in the last five years; and

(b) Any similar consultancy services provided to an organ of state in the last five years.

(4) The Accounting Officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the Drakenstein Municipality .

(5) Where the estimated value of fees is less than R 200,000 and the duration of the appointment is less than one year, any National Treasury and, where applicable, Construction Industry Development Board guidelines in respect of consulting services are taken into account.

36. Deviation from and ratification of minor breaches of procurement processes

(1) The Accounting Officer may –

(a) Dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

(i) In an emergency (as per definition);

(ii) If such goods or services are produced or available from a single source or sole provider only (as per definition);

(iii) For the acquisition of special works of art or historical objects where specifications are difficult to compile;

(iv) Acquisition of animals for zoos and/or nature and game reserves; or

(v) In any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties, which are purely of a technical nature.

(2) The Accounting Officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.

(3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

37. Unsolicited bids

(1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

(2) The Accounting Officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –

(a) The product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

(b) The product or service will be exceptionally beneficial to, or have exceptional cost advantages;

(c) The person who made the bid is the sole provider of the product or service; and

(d) The reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.

(3) If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –

(a) Reasons as to why the bid should not be open to other competitors;

(b) An explanation of the potential benefits if the unsolicited bid were accepted; and

(c) An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

(4) The Accounting Officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.

(5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.

(6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

(7) When considering the matter, the adjudication committee must take into account –

(a) Any comments submitted by the public; and

(b) Any written comments and recommendations of the National Treasury or the relevant provincial treasury.

(8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the Accounting Officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.

(9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the Drakenstein Municipality to the bid may be entered into or signed within 30 days of the submission.

38. Combating of abuse of supply chain management system

(1) The Accounting Officer must –

(a) Take all reasonable steps to prevent abuse of the supply chain management system;

(b) Investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –

(i) Take appropriate steps against such official or other role player; or

(ii) Report any alleged criminal conduct to the South African Police Service;

(c) Check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;

(d) Reject any bid from a bidder –

(i) If any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the Drakenstein Municipality or to any other municipality or municipal entity, are in arrears for more than three months; or

(ii) Who during the last five years has failed to perform satisfactorily on a previous contract with the Drakenstein Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;

(e) Reject a recommendation for the award of a contract if the recommended bidder or any of its directors, or trust or its trustees has committed a corrupt or fraudulent act in competing for the particular contract;

(f) Cancel a contract awarded to a person if –

(i) The person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

(ii) An official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and

(g) Reject the bid of any bidder if that bidder or any of its directors –

(i) Has abused the supply chain management system of the Drakenstein Municipality or has committed any improper conduct in relation to such system;

(ii) Has been convicted for fraud or corruption during the past five years;

(iii) Has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or

(iv) Has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

(2) The Accounting Officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this Policy.

(3) The performance of service providers will be measured against the stipulations within the municipality's Blacklisting Policy.

Part 3: Logistics, Disposal, Risk and Performance Management

39. Logistics management

(1) The Accounting Officer must establish and implement an effective system of logistics management, which must include –

(a) The monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;

(b) The setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

(c) The placing of manual or electronic orders for all acquisitions other than those from petty cash;

(d) Before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;

(e) Appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;

(f) Regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and

(g) Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

40. Disposal management

(1) A supply chain management policy must provide for an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act

(2) A supply chain management policy must specify the ways in which assets may be disposed of, including –

(a) Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;

(b) Transferring the asset to another organ of state at market related value or, when appropriate, free of charge;

(c) Selling the asset; and

(d) Destroying the asset.

(3) The Accounting Officer must ensure that –

(a) Immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;

(b) Movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous, except when the public interest or the plight of the poor demands otherwise;

(c) Firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;

(d) Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;

(e) All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;

(f) Where assets are traded in for other assets, the highest possible trade in price is negotiated; and

(g) In the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

(4) All matters relating to the alienation of movable and immovable assets shall be dealt with in terms of Council's Asset Transfer Policy and the Asset Transfer Regulations, 2008.

(5) Notwithstanding the provisions of paragraph 3 hereof, the following statutory powers of Drakenstein Council in respect of the alienation of immovable property, are reserved to be exercised by Council –

(a) To decide on reasonable grounds that an asset is not needed to provide the minimum level of basic municipal services; and

(b) To considered the fair market value of the asset and the economic and community value to be received in exchange for the asset, and

(6) Notwithstanding sub-paragraph (3)(b) & (g) above, the Accounting Officer must determine the most advantageous way for the disposal or letting of movable capital assets, i.e. written price quotations, competitive bidding, or auction, except when public interest or the plight of the poor demands otherwise.

(7) The Accounting Officer is hereby authorized to dispose of movable capital assets below a value of R500,000 (excluding the approval for selling of assets via public auction process) and to make the determinations in terms of Section 14(2)(a) and (b) of the MFMA, provided that, in respect of capital assets above a value of R200,000 not being auctioned, the Accounting Officer shall first consider a recommendation from the Supply Chain Management Bid Adjudication Committee.

41. Risk management

(1) The criteria for an effective risk management strategy within supply chain management system, should include the identification, consideration and avoidance of potential risks.

(2) Risk management should include –

(a) The identification of risks on a case-by-case basis;

(b) The allocation of risks to the party best suited to manage such risks;

(c) Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;

(d) The management of risks in a pro-active manner and the provision of adequate cover for residual risks; and

(e) The assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

42. Performance management

(1) The Accounting Officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved. The retrospective analysis will link to the regulatory reports and submissions on the implementation of the supply chain management policy to the delegated authorities as prescribed in terms of supply chain management regulations and the delegation system of council, as amended from time to time.

Part 4: Other matters

43. Prohibition on awards to persons whose tax matters are not in order

(1) No award above R30,000 (including VAT) may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

(2) Before making an award to a person the Accounting Officer must first check with SARS whether that person's tax matters are in order.

(3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

(4) Drakenstein Municipality will process transactions per supplier on the proviso that the accumulative amounts per supplier does not exceed R30,000 (including VAT) per financial year, without the required tax clearance as per paragraph 43(1) above.

44. Prohibition on awards to persons in the service of the state

(1) Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

(a) Who is in the service of the state;

(b) If that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or

(c) A person who is an advisor or consultant contracted with the Drakenstein Municipality.

45. Awards to close family members of persons in the service of the state

(1) The Accounting Officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2,000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

(a) The name of that person;

(b) The capacity in which that person is in the service of the state; and

(c) The amount of the award.

46. Ethical standards

(1) A code of ethical standards as set out in [subparagraph (2) / the "National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management, which also include all other municipal officials not involved in supply chain management system" is hereby established for municipal officials and other role players in the supply chain management system of the Drakenstein Municipality in order to promote-

(a) Mutual trust and respect; and

(b) An environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) A municipal official or other role player involved in the implementation of this Policy–

(a) Must treat all providers and potential providers equitably;

(b) May not use his or her position for private gain or to improperly benefit another person;

(c) May not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R 350;

(d) Notwithstanding subparagraph (2)(c), must declare to the Accounting Officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;

(e) Must declare to the Accounting Officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Drakenstein Municipality;

(f) Must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;

(g) Must be scrupulous in his or her use of property belonging to Drakenstein Municipality;

(h) Must assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and

(i) Must report to the Accounting Officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –

(i) Any alleged fraud, corruption, favouritism or unfair conduct;

(ii) Any alleged contravention of paragraph 47(1) of this Policy; or

(iii) Any alleged breach of this code of ethical standards.

(3) Declarations in terms of subparagraphs (2)(d) and (e) –

(a) Must be recorded in a register, which the Accounting Officer must keep for this purpose; and

(b) By the Accounting Officer must be made to the Executive Mayor of the municipality who must ensure that such declarations are recorded in the register.

(4) The National Treasury's code of conduct and Schedule 2 of the Systems Act must be adhered to by supply chain management practitioners and other role players involved in supply chain management.

(5) A breach of the code of ethics must be dealt with as follows –

(a) In the case of an employee, in terms of the disciplinary procedures of the Drakenstein Municipality envisaged in section 67(1)(h) of the Municipal Systems Act;

(b) In the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach;

(c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act; and

(d) All cases of non-compliance to this Policy should be reported to the Accounting Officer.

47. Inducements, rewards, gifts and favours to municipalities, officials and other role players

(1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

(a) Any inducement or reward to the Drakenstein Municipality for or in connection with the award of a contract; or

(b) Any reward, gift, favour or hospitality to –

(i) Any official; or

(ii) Any other role player involved in the implementation of this Policy.

(2) The Accounting Officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

(3) Subparagraph (1) does not apply to gifts less than R 350 in value.

(4) Council's Gift Policy will apply which is consistent with subparagraphs (1) to (3).

48. Sponsorships

(1) The Accounting Officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

(a) A provider or prospective provider of goods or services; or

(b) A recipient or prospective recipient of goods disposed or to be disposed.

(2) Council's Gift Policy will apply which is consistent with subparagraph (1).

49. Objections and complaints

(1) Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

50. Resolution of disputes, objections, complaints and queries

(1) The Accounting Officer may, if deem so, appoint an independent and impartial person, not directly involved in the supply chain management processes –

(a) To assist in the resolution of disputes between the Drakenstein Municipality and other persons regarding –

(i) Any decisions or actions taken in the implementation of the supply chain management system; or

(ii) Any matter arising from a contract awarded in the course of the supply chain management system; or

(b) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(2) The Accounting Officer, or another official designated by the Accounting Officer, is responsible for assisting the appointed person to perform his or her functions effectively.

(3) The person appointed should, if appointed –

(a) Strive to resolve promptly all disputes, objections, complaints or queries received; and

(b) Submit monthly reports to the Accounting Officer on all disputes, objections, complaints or queries received, attended to or resolved.

(4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

(a) The dispute, objection, complaint or query is not resolved within 60 days; or

(b) No response is forthcoming within 60 days.

(5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

(6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

51. Contracts providing for compensation based on turnover

(1) If a service provider acts on behalf of a Drakenstein Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the Drakenstein Municipality must stipulate –

(a) A cap on the compensation payable to the service provider; and

(b) That such compensation must be performance based.

52. Contract Management

(1) <u>Application</u>

The contract management provisions below are applicable only to contracts for the provision of goods or services

(2) Competency

All contracts must be administered by an official(s) having the necessary competencies to ensure effective management of the contract.

(3) Maintenance and Contract Administration

(a) Contracts related to the procurement of goods and services will be captured on the financial system.

(b) Value (where the maximum value of the contract is restricted) and volume (where the maximum units procured are restricted) based contracts will be used.

(c) The use of fixed price, fixed term contracts will be promoted and expenditure will be driven towards contracts versus once-off purchases.

(d) Consolidated (municipality wide) procurement volumes have to drive down the negotiated contract prices.

(e) Contract price adjustments shall be processed only in accordance with contract terms and conditions. Price adjustments shall be made on the procurement contract and any current purchase orders shall be changed to reflect the new price.

(4) Contract Administration

(a) Contract administration is the last stage of the tendering and contract cycle, and includes all administrative duties associated with a contract after it is executed, including contract review.

(b) The effectiveness of contract administration will depend on how thoroughly the earlier steps were completed. Changes can be made far more readily early in the tendering cycle than after contract management has commenced.

(c) Some of the key early stages, which influence the effectiveness of contract administration, include –

(i) Defining the output, that is, writing specifications which identify what the aims are; and

(ii) Outputs of a contract will be assessed as follows –

(aa) Assessing risk;

(bb) Researching the market place (including conducting pretender briefings);

(cc) Formulating appropriate terms and conditions of contract;

(dd) Identifying appropriate performance measures and benchmarks so that all parties know in advance what is expected, and how it will be tested;

(ee) Actively creating competition, so the best possible suppliers bid for contracts; and

(ff) Evaluating bids competently, to select the best contractor, with a strong customer focus and good prospects of building a sound relationship.

(5) Levels of Contract Administration

(a) There are three levels of contract administration:

(i) The first operational level is for standard contracts for goods and services. Day to day contract administration should become no more than a monitoring, record keeping and

payment authorization role. A standard contract, which requires excessive administration, is almost certainly the product of a failure in contract preparation stages. An example of an operational contract would be a stationery contract.

(ii) The second or intermediate level is for more complex contracts for services. An example would be a contract to outsource cleaning services. This type of contract will require a more active role for the contract manager in developing the relationship between the Municipality and the contractor.

(iii) The third level is for strategic contracts involving complex partnerships and outsourcing arrangements. These contracts need more active management of the business relationships between the supplier and the users, for example to manage outputs and not the process. Sufficient resources need to be dedicated by all parties to successfully manage these contractor relationships and, where feasible, to achieve partnership. A partnership is the result of mutual commitment to a continuing co-operative relationship, rather than parties working on a competitive and adversarial basis.

(6) Appointing a Contract Manager

(a) A contract manager should be appointed by the senior official in charge of the project prior to the execution of the contract.

(b) Where it is practical to do so, the contract manager should be involved at the earliest stage of the acquisition, which is the time of writing the specification. Contract administration arrangements should be identified and planned including who, how, delegations, reporting requirements and relationships and specific task responsibilities.

(c) Departments shall be responsible for ensuring that contract managers –

(i) Prepare the contract administration plan;

(ii) Monitor the performance of the contractor;

(iii) Are appointed with appropriate responsibility and accountability;

(iv) Are adequately trained so that they can perform and exercise the responsibility; and

(v) Act with due care and diligence and observe all accounting and legal requirements.

(7) Duties and Powers of Contract Managers

(a) The contract manager's duties and powers shall be governed by the conditions of contract and the general law.

(b) The contract manager shall also be required to form opinions and make decisions, and in doing so is expected to be even-handed and prudent.

(8) Contract Guidelines

(a) A guideline, which provides a description of the roles and responsibilities of a contract manager during the contract administration stage, shall be documented.

(b) This following is not an exhaustive description of contract administrative activities, and some tasks may not be carried out in the sequence presented, may be done concurrently with other tasks, or may not be necessary in some circumstances.

(9) Delegating to Contract Administrator

(a) Where appropriate, a contract manager may delegate some contract administration duties to a contract administrator.

(b) The contract administrator would usually be required to perform duties related to processes for record keeping and authorizing payment and collecting data on the contractor performance.

(c) The contract manager will however remain ultimately responsible for the performance of the contract.

(10) Contract Management Process

(a) The contract manager shall ensure the contractor fulfils its obligations and accepts its liabilities under the contract and must also ensure the contractors are treated fairly and honestly.

(b) Both parties adhering to the agreed terms will result in –

(i) Value for money;

(ii) Timeliness;

(iii) Cost effectiveness; and

(iv) Contract performance.

(11) Document Retention

(a) The need exists to retain documents on a contract file for information and audit purposes, and in order to comply with the requirements of the records office.

(12) Records Office

(a) Proper records regarding all aspects of the contract must accordingly be maintained.

(13) Guidelines on Contract Administration

(a) The responsibilities of a contract manager may include the following –

(i) Establishing a contract management plan for the project;

(ii) Reviewing the contract management process (including the plan) on a regular basis;

(iii) Providing liaison between internal managers and users, and suppliers to identify and resolve issues as they arise;

(iv) Monitoring the contractor's continuing performance against contract obligations;

(v) Providing the contractor with advice and information regarding developments within the department, where such developments are likely to affect the products provided;

(vi) Determining if staged products should continue, and providing a procurement process for additional stages which meet the principle of obtaining value for money;

(vii) Providing accurate and timely reporting to the senior management in charge of the project, highlighting significant performance issues or problems;

(viii) Ensuring insurance policy(s) terms and conditions provide adequate protection for Drakenstein Municipality and are maintained throughout the contract period;

(ix) Ensuring all products provided are certified as meeting the specifications before the supplier is paid;

(x) Maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;

(xi) Managing contract change procedures;

(xii) Resolving disputes as they arise;

(xiii) Conducting post contract reviews; and

(xiv) Pursuing remedies in the event of contract breach.

53. Contracts having budgetary implications beyond three financial years

(1) Drakenstein Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of Section 33 of the Municipal Finance Management Act have been fully complied with.

54. Amendment of contracts

(1) Any increase and / or extension in the approved contract sum, excluding rates based tenders which do not have a contract sum, that may become necessary as a result of exceptional circumstances during the contract period must be considered by the appropriate bid committees and tabled to Council in terms of section 116(3) of the Municipal Finance Management Act (Act no. 56 of 2003) prior to implementation.

(2) The community must be advised of the proposed amendment and be invited to provide written comment within a minimum period of seven (7) days.

55. Right of appeal

(1) In terms of Section 62 of the Municipal Systems Act (Act 32 of 2000 as amended), a person whose rights are affected by a decision taken by the Municipality, in terms of a delegated authority, in the implementation of its supply chain management system, may appeal against that decision by giving written notice of the appeal and reasons to the City Manager within 21 days of the date of the notification of the decision.

(2) Notification of the decision in terms of sub-paragraph 55(1) of this policy must state that any appeal must be submitted in writing to the City Manager and must at least contain the following information:

(a) The reasons and / or grounds for the appeal;

(b) The way in which the appellants rights have been affected; and

(c) The remedy sought by the appellant.

(3) No award, where a competitive bidding process was followed, shall be formally implemented until a ruling has been made on any appeal/s received. The City Manager may however grant approval for the implementation of bid awards prior to the conclusion of the appeal process in respect of bids which in his / her opinion are deemed as urgent.

(4) The appeal authority must consider the appeal and confirm, vary or revoke the decision, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.

56. Notification of bid decisions

(1) The successful and unsuccessful bidders shall be notified in writing by the Corporate Services Division once a bid has been accepted.

(2) The bidders shall, in addition, be advised of the 21 day appeal period in terms of Section 62 of the Municipal Systems Act and successful bidders shall be

notified that no rights will accrue to them until the appeal process is concluded.

(3) Once the 21 day appeal period has lapsed and a decision has been made by the appeal authority, all affected bidders will be notified in writing of the outcome thereof by the Municipality.

57. Unsuccessful bidder debriefing

(1) The Municipality will offer an unsuccessful bidder debriefing service to unsuccessful bidders upon request.

(2) During the debriefing unsuccessful bidders will be informed of how their proposal scored against required criteria and obtain comments from the evaluation team on their bid.

(3) The debriefing should be a positive and constructive experience that explains how bidders can improve future submissions.

(4) The debriefing is an opportunity for unsuccessful bidders to –

(a) Learn more about the procurement and evaluation process in an informal setting;

(b) Find out how their proposal scored against the required criteria;

(c) Hear the overall comments from the evaluation team on their bid; and

(d) Gather information on how future submissions may be improved.

(5) The debriefing is not part of the Supply Chain complaint or appeal process in terms of paragraph 49 or 55 of this Policy.

(6) The debriefing is not a legal proceeding and no legal representation is permitted at the debriefing session.

(7) At the debriefing session the unsuccessful bid is not compared to other bids, nor will information be provided to the unsuccessful bidder about other bids.

(8) In scheduling a bidder's debriefings session upon the request of the unsuccessful bidder, the municipality must –

(a) Confirm the date and time of the debriefing session in writing;

(b) Conduct separate debriefings with each unsuccessful bidder;

(c) Ensure that proper minutes are kept of each debriefing session; and

(d) Retain all correspondence and documentation relevant to the debriefing session as part of the procurement documentation.

(9) In conducting bidders' debriefings, the municipality may –

(a) Provide a general overview of the evaluation process set out in the bid documents;

(b) Discuss the strengths and weaknesses of the bidder's submission in relation to the specific evaluation criteria and the bidders evaluated score;

(c) Provide suggestions on how the supplier may improve future submissions; and

(d) Address specific questions and issues raised by the supplier in relation to their submission.

58. Condonation of Policy contraventions

(1) Council may condone a contravention in terms of this Policy, provided that such contravention is also not a contravention of the MFMA or the Municipal Supply Chain Management Regulations, 2005

(2) Any expenditure relating to such condonation by Council in terms of this Policy, will not constitute irregular expenditure as contemplated under section 1 of the MFMA.

(3) Contraventions of the MFMA relating to supply chain management or the Municipal Supply Chain Management Regulations, 2005 must be dealt with in terms of section 32 and section 170 of the MFMA

59. Short title

(1) This policy is called the Drakenstein Municipality Supply Chain Management Policy.

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA
Paarl | Wellington | Gouda | Saron | Simondium

Travelling and Subsistence Policy

All expenditure referred to in this policy is against public funds and Councillors and Officials are requested to be prudent when incurring any expenditure.

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1. OBJECTIVE OF POLICY

1.1 It is essential that representatives of the Municipality from time to time travel to other cities and towns in order to establish and maintain links and relationships with other municipalities, government bodies, and other parties, institutions and organizations operating in the sphere of local government.

1.2 It is important for representatives to broaden their knowledge and understanding of and compare local experiences in local government transformation, innovation and change in the rest of the country, and this can only be done effectively through the medium of personal contact with a wide range of local government stakeholders.

1.3 In terms of the Income Tax Act (No.58 of 1962) councilors and employees traveling to other destinations for official business purposes or needs be granted an ad-hoc travel and subsistence allowance.

1.4 The object of this policy is to enforce the promulgated legislation in terms of ad- hoc travel and subsistence allowances, in order to set uniform guidelines for councilors and officials of Drakenstein Municipality.

2. DEFINITIONS

2.1 *"**Councilor"*** as defined in terms of the Municipal Structures Act (Act 117 of 1998).

2.2 ***"Day allowance"*** is equivalent to the total allowance granted for meals and incidental cost for 24-hour period portion thereof to a minimum of 6 hours after the first 24 hours.

2.3 ***"Holder of public office"*** is any member of a municipal council, a member of a provincial House of Traditional Leaders and a member of the Council of Traditional Leaders.

2.4 ***"Incidental cost"*** expenses which are not necessarily incurred in performing the duties of employment whilst away on business (e.g. telephone cost, laundry cost, drinks, tips etc.).

2.5 ***"Meals"*** any food / refreshment that an employee is entitled to whilst on official Council business away from the workplace.

2.6 ***"Municipal official",*** in relation to a municipality or municipal entity, means:

2.6.1. An employee of a municipality or municipal entity;

2.6.2. A person seconded to a municipality or municipal entity to work as a member of the staff

of the municipality or municipal entity; or

2.6.3. A person contracted by a municipality or municipal entity otherwise than as an employee.

2.7. ***"Official duty"*** approved official council business / activities.

2.8. ***"Radius"*** a straight line extending from the center of a circle to its edge or from the center of a sphere to its surface.

2.9. ***"Running Costs Tables"*** means fuel, maintenance and tyre costs.

2.10. ***"SARS"*** South African Revenue Services.

2.11. ***"Travel: domestic"*** for purposes of this policy, domestic travel shall mean travel within South Africa.

2.12. ***"Travel: international"*** for purposes of this policy, international travel shall mean travel to any country outside South Africa.

3. RESPONSIBILITIES OF REPRESENTATIVES WHO TRAVEL ON BUSINESS OF THE MUNICIPALITY

3.1 Every representative who travels on the business of the municipality must comply with this policy in letter and in spirit.

3.2 Representatives who travel on the business of the municipality must appreciate, at all times, that they are ambassadors for the municipality, that their actions, conduct and statements must be in the best interests of the municipality, and that they must comply with any specific mandates they have been given.

3.3 Consistent with the municipality's performance monitoring and evaluation objectives, the municipal manager will ensure that a database of all representatives and official traveling is kept.

4. SUBSISTENCE AND TRAVEL ALLOWANCE

4.1 A subsistence and travel allowance is an amount of money paid by the municipality to a representative to cover the following expenses:

4.1.1. Meals (including reasonable gratuities);

4.1.2. Incidentals such as refreshments, snacks, drinks and newspapers; and

4.1.3. Business related travel.

4.2 A subsistence allowance does not cover any personal recreation, such as visits to a gym, cinema, theatre, nightclubs or sightseeing.

4.3 Calculation of the allowances shall be in respect of the period from the latest reasonable time at which it would be necessary for the traveler using the authorized form of transport to leave the ordinary place of residence or office in order to be present at the appointed time to the earliest reasonable time on or about which such traveler could, by using such transport, arrive back at the ordinary place of residence or office.

5. ENTITLEMENT TO A SUBSISTENCE AND TRAVEL ALLOWANCE

5.1 A representative may claim a daily subsistence allowance as provided in this policy with the understanding that all authorized personal expenses are covered by the subsistence allowance. No further expenses, with the exception of certain business expenses (see below), may be claimed.

5.2 The subsistence allowance may be claimed without the representative having to furnish proof of expenses.

5.3 Entertainment of external business associates, contacts, potential investors or clients, falls outside the scope of the subsistence allowance and will be separately reimbursed (subject to prior approval where applicable).

5.4 Where an official of the municipality has an entertainment allowance, the entertainment of external business associates or contacts or other parties must be claimed against the entertainment allowance.

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5.5 A representative of the municipality must claim his or her subsistence allowance, as provided for in this policy, before embarking on any official trip. The subsistence allowance must, in order to facilitate its timeous payment, be claimed at least seven working days before the planned trip.

5.6 No subsistence allowance will be paid, and no representative will be entitled to a subsistence allowance, if the trip or travel is not related to the official business of the municipality.

5.7 All traveling on business of the municipality must be approved as such before a representative is entitled to a subsistence allowance.

5.8. Reimbursement for official trips undertaken by staff members with private vehicles are divided into five categories:-

5.8.1. Category 1

Trips by Section 56 appointees who report directly to the Municipal Manager as well as other fixed term employment contract staff who structured a vehicle allowance as part of their total employment contract;

5.8.2. Category 2

Trips undertaken by permanent staff who receive a fixed vehicle allowance as part of their remuneration;

5.8.3. Category 3

Permanent staff who receive a vehicle allowance as part of the Essential Users Scheme by virtue of the fact that they use their private vehicle for official trips on a daily basis;

5.8.4. Category 4

Permanent staff other than those mentioned in the above categories who use their private vehicles for official trips on occasional basis;

5.8.5. Category 5

Councillors.

5.9. Staff members in Category 1 and 2:-

5.9.1. Staff members in these categories will be reimbursed for trips outside the municipal area and for official trips to Saron and Gouda within the municipal area where the total of such trips calculated on a calendar month basis, exceeds 500 km;

5.9.2. The distances claimed for the aforementioned trips, must be based on the fixed distances reflected in the table below as calculated from the Head Office:

Destination	Km distance (both directions)
Stellenbosch	65
Malmesbury	97
Somerset-West	102
Gouda	110

Worcester	112
Saron	146
Cape Town	148
Ceres	170
Caledon	202
Robertson	204
Yzerfontein	210
Piketberg	220
Swellendam	230
Montagu	260
Hermanus	266
Langebaan	276
Vredenburg	284
Verlddrif	288
Citrusdal	288
St Helena Bay	316
Gans Bay	346
Bredasdorp	350
Clanwilliam	400
Laingsburg	422
L'Agulhas	422
Lamberts Bay	484
Riversdale	516
Calitzdorp	639
Mossel Bay	668
Oudtshoorn	730
George	756
Beaufort-West	812
Knysna	876
Plettenberg Bay	942

5.9.3. Any other approved official trips to destinations which are not reflected above will be reimbursed on a basis of distance travelled provided such distances are calculated from the actual point of departure if it is less than the distance from Head Office, or is calculated from Head Office if it is more than the distance from Head Office.

5.9.4. Reimbursement will be calculated on the official Running Costs Tables (fuel, maintenance, tyre costs) of the **"AA Rates for Vehicle Operating Costs"** for the specific vehicle used;

5.9.5. Official business trips outside the municipal area, must be prior approved as per the attached form **"Prior Approval to Undertake Official Business Trip with Private Vehicle"**. Duly completed forms must be attached to calendar month claims for reimbursement as per the attached form "**Private Vehicle Official Business Trip Monthly Claim Form**".

5.10. Staff members in Category 3

Staff receiving a fixed monthly allowance calculated at the official Running Costs Tables of the **"Essential User Scheme: Transport Allowance"** as applicable for that specific user, as amended from time to time by the Bargaining Council.

5.11. Staff members in Category 4

Staff other than those mentioned in paragraph 5.9 and 5.10 will be reimbursed at the SARS rate as announced and gazetted annually in February by the Minister of Finance provided that the distance to which the travel claim relates must be the shortest distance between the points of departure and arrival. This will only be applicable if municipal transport is not available.

5.12. Councillors - Category 5

Councillors will be reimbursed for prior approved trips outside the municipal area at the rate determined by the Department of Transport's Notice: **"Tariffs for the use of Motor Transport"** as distributed monthly by the Department of Local Government and Housing, subject to the Upper Limits of Salaries, Allowances and Benefits of Councillors promulgated annually.

5.13. All claims for reimbursement must be submitted on a monthly basis and must be accompanied by the duly completed prior approval forms for trips.

5.14. The stipulations of this policy as far as it relates to reimbursement for approved official trips, will prevail over any other policy stipulation that may be in conflict with the above.

6. ACCOMMODATION COSTS AND SUBSISTENCE ALLOWANCE

6.1 Representatives who travel on the business of the municipality, where the business unavoidably entails one or more nights to be spent away from home, may stay in a hotel, motel, guesthouse or bed and breakfast establishment. Although the policy does not specify any grading for the specific accommodation required, representatives must refrain from any extravagance. But certainly the accommodation should be of an acceptable standard for all municipal delegations. Selection of accommodation must however be judged on availability, location, suitability, safety, etc.

6.2 Where such accommodation is available, the rate for a single room will be payable.

6.3 A daily allowance, at the SARS rate, to defray incidental costs only (deemed to have been expended) will be paid in advance to the amount as announced and gazetted annually in February by the Minister of Finance, to the recipient where the official business trip is in the Republic of South Africa (domestic travel). Any amount over and above the prescribed amount, if for whatever reason approved by Council, will be taxable.

6.4 A daily allowance, at the SARS rate, to defray meals and incidental costs (deemed to have been expended) will be paid in advance to the amount as announced and gazetted annually in February by the Minister of Finance, to the recipient where the official business trip is in the Republic of South Africa (domestic travel) and that the representative needs to stay overnight for the purpose traveled for. Any amount over and above the prescribed amount, if for whatever reason approved by Council, will be taxable.

6.5 If a representative stays with a relative or friend, no accommodation allowance may be claimed, however, the representative may, in addition to the applicable subsistence allowance, claim a Taxable amount of R 200.00 (Two Hundred Rand) per day.

6.6 Employees or holders of public office would only be allowed to claim for accommodation if the destination is beyond a radius of 100 kilometres from the municipal area, save for accommodation in Cape Town for representatives who travel from areas other than Cape Town.

6.7 Where it is not necessary to sleep overnight on any travel for municipal business, no accommodation costs will be paid, but only incidental costs can be claimed for.

6.8 In cases where Council's official Travel Agent did not make the reservation, payments of overnight accommodation for representatives shall be paid directly into the account of the hotel or guesthouse. Requests for reservations and payment must be submitted by the relevant official at least seven days prior to embarking on an official trip to enable the administration sufficient time to process the reservation and payment. This is to avoid unnecessary inconvenience to all

parties concerned.

6.9 In the event where an official is unable to make use of the meals provided due to religious convictions, the reimbursement for alternative meals shall be dealt with on an *ad hoc* basis with the authorisation of the Municipal Manager or his/her delegated authority. (See paragraph 11.1)

7. SUBSISTENCE ALLOWANCE IF TRAVEL IS FOR A DAY OR PART OF DAY WITH NO OVERNIGHT STAY (No "out of office" subsistence will be paid to any Councillor or *Official on any visits within the boundaries of the Drakenstein Municipality)*

7.1 If a representative is on the business of the municipality outside the boundaries of the Drakenstein Municipality for a day or part of a day in circumstances not requiring the night to be spent away (absence of more than 6 hours and less than 24 hours), a subsistence allowance as per paragraph 6.3 is payable per day, irrespective of the number of trips undertaken. **No subsistence allowance will be payable to representatives attending courses and seminars where all their physical needs are catered for.**

7.2 Miscellaneous expenses including laundry, bus fares, toll and parking fees shall be paid by the Municipality upon submission of proof, both within and outside the boundaries of South Africa. **Foreign expenditure shall be linked to the applicable exchange rate.**

8. SPECIAL DAILY ALLOWANCES FOR OFFICIAL VISITS ABROAD

8.1 Any representative embarking on an overseas visit must request his/her subsistence allowance not later than 7 (seven) working days before actual date of departure. For consistency, the value of the subsistence will be calculated against an exchange rate obtained from Council's official bankers as listed five (5) working days before the actual departure date indicated on the plane ticket or reservation which must accompany the request for subsistence. This exchange rate will be according to the currency of the specific country to be visited.

8.2 Council will reimburse the costs of visas for countries to be visited in accordance with the official visit.

8.3 An allowance as stipulated by the SARS schedule will be paid in advance to the amount as announced and gazetted annually in February by the Minister of Finance, to the recipient where the official business trip is outside the Republic of South Africa **(ANNEXURE 13(iii))**. The allowance or advance is paid or granted to defray the cost of meals and incidental costs (deemed to have been expended). Any amount over and above the amount as announced and gazetted annually in February by the Minister of Finance, for this purpose, will be taxable. **(ANNEXURE 13(ii)(a))**.

8.4 The reasonable actual miscellaneous expenses will be refunded against proof (receipt/invoice) of payment as approved per paragraph 11.1.

8.5 On return from overseas visits the representatives must submit to the next Council meeting a written report, which may be a collective exercise, regarding the value, experience and benefits achieved. It will be the responsibility of Administration to forward the report, with Council resolution and any comments, to the Executive Director: Finance. (Refer to paragraph 12.2)

9. CAR RENTAL AND OTHER TRAVEL COSTS

In all cases the most economical way of transport must be utilized.

9.1 Only category "A" or "B" vehicles may be rented, unless it is more cost effective to hire a more expensive vehicle, for example; where the number of representatives involved could justify the hire of a microbus. Exception to this rule will necessitate the Municipal Manager's approval.

9.2 Car rental must be approved as part of the travel package before the trip is embarked on.

9.3 A representative who rents a vehicle whilst traveling on the business of the municipality without having received authorization will only be reimbursed for the cost of the rented vehicle if proof of expenditure can be produced, the representative can demonstrate that the vehicle was necessitated under the circumstances, the cost was reasonable and condoned by the Municipal Manager or his/her delegated authority per paragraph 11.1.

9.4 All flights taken by the representatives of the municipality shall be in the Economy class. However, in cases where the Executive Mayor, the Deputy Executive Mayor, councillors, the Municipal Manager and Executive Directors form part of or accompany ministerial delegations, they be allowed to fly business class.

9.5 If a representative has to utilize his/her personal motor vehicle outside the boundaries of Drakenstein municipality, he/she will be reimbursed per kilometer as applicable per paragraph 5.11. Where the total number of kilometers for which such reimbursement is received exceeds 8,000 in a tax year, reimbursement for the excess kilometers over 8,000 must be taxed for PAYE purposes **(ANNEXURE 13(ii)(b))**.

9.6 The distance to which the reimbursement applies, must be the shortest distance between the departure and arrival points.

9.7 Where the possibility arises, representatives must travel together, up to a maximum of four people per vehicle, to minimize traveling expenses.

9.8 **No DAILY allowance will be paid to *any Councilor or Official* for traveling costs on any visits within the Drakenstein Municipality boundaries.**

10. SUBSISTENCE AND TRAVELLING ALLOWANCE FOR PERSONS INVITED FOR INTERVIEWS

10.1 No subsistence costs will be paid to any candidate invited for an interview, unless specifically authorized by the Municipal Manager or his/her delegated authority as per paragraph 11.1. However, traveling costs may be paid if the candidate has to travel more than 50 kilometers to attend an interview as per paragraph 5.11.

11. AUTHORISATION

11.1 For purposes of implementing this policy any approval for subsistence or visits outside the boarders of the Drakenstein Municipality must be in accordance with Council's existing delegated powers and functions.

11.2 An invitation to attend a workshop, meeting or related event is not an automatic authorization to attend such a workshop or event. The required authorization must still be obtained from the Municipal Manager or the Executive Mayor together with his/her Mayoral Committee, as the case may be. (See paragraph 11.1).

11.3 Representatives to any conference, workshop or meeting must ensure that they arrive on time and attend until the conclusion of such event. If any representative fails to do so, the Executive Mayor together with his/her Mayoral Committee or the Municipal Manager, as the case may be, may recover all allowances and disbursements paid to enable said representative to attend such event, provided that said representative is afforded an opportunity to submit reasons for not being able to be present from the commencement to conclusion of such event. (See paragraph 12)

12. LEGAL REQUIREMENTS

12.1 In terms of section 66 of the Local Government: Municipal Finance Management Act (No. 56 of 2003), the Accounting Officer must report to Council, in the format and for the periods prescribed, all expenses relating to staff salaries, allowances and benefits, separately disclosing, *inter alia*, travel, subsistence and accommodation allowances paid.

12.2 If the report indicated in paragraph 8.5 is not submitted in due course or the representatives did not embark on the official overseas visit, the total cost incurred by Council for that specific visit, must be reported as fruitless and/or wasteful expenditure.

12.3 Should, for whatever reason, late minute traveling or accommodation changes be effected, the revenue lost or penalties paid, due to cancellation or new reservations, must be reported as fruitless and/or wasteful expenditure.

13. THE FOLLOWING ANNEXURES FORM PART OF THIS POLICY AND MUST BE REVISED ANNUALLY AND REPLACE REDUNDANT DOCUMENTS.

13.1. **AA Rates For Vehicle Operating Costs.** **http://www.aa.co.za/Channels** Go to: Advice & Information / Vehicle Running Costs / Newest Publication.

13.2. Government Gazette: **"Determination Of The Daily Allowance In Respect Of Meals And Incidental Costs For Purposes Of Section 8(1) Of The Income Tax Act, 1962 (Act 58 of 1962)"** annually published by the Minister of Finance. **http://www.sars.gov.za/home.asp?pid=3498**

13.3. **Tax Pocket Guide** - Published on the day of the Budget Speech. **http://www.sars.gov.za/home.asp?pid=4150&tid=65&s=pubs &show=812**

13.4. The schedule published by the Department of Public Service and Administration (DPSA), **"Accommodation On Official Journeys Outside The Republic"** which is vested in the Public Service Act, No.103 of 1994, as amended and the Regulations thereto.

13.5. The Department of Transport's Notice: **"Tariffs for the use of Motor Transport"** vested in the "Remuneration of Public Office Bearers Act, No.20 of 1998" and distributed monthly by the Department of Local Government and Housing.

13.6. **"Essential User Scheme: Transport Allowance"** as circulated by the Western Cape Division of the South African Local Government Bargaining Council.

13.7. Exchange rate applicable

Exchange rate applicable will be the one provided by the bank at the time of the payment (at least five (5) days before departure).

13.8. **Any exception to the rule must be authorized by the Accounting Officer or his delegate**.

14. TERMS OF REFERENCE

14.1. Income Tax Act (No. 58 of 1962)

14.2. Labour Relations Act (No. 66 of 1995)

14.3. Municipal Structures Act (No. 117 of 1998)

14.4. Guidelines for Employers, 2005, South African Revenue Services

14.5. Municipal Systems Act (No. 32 of 2000)

14.6. Municipal Finance Management Act (No.56 of 2003)

14.7. Budget Speech

DRAKENSTEIN MUNICIPALITY

PRIOR APPROVAL TO UNDERTAKE OFFICIAL BUSINESS TRIP OUTSIDE THE MUNICIPAL AREA (SARON / GOUDA INCLUDED) WITH PRIVATE VEHICLE

…….…….. (Name) being employed as …… (Designation) in the ……..……. Directorate is hereby granted approval to use his/her private motor vehicle to ……. (destination) and back for the purposes of

……..

……..……

……..……

……..…

Date left: ……. Date returned: ……

Kilometers claimed: …….. Engine capacity: ……

Fuel supply (petrol/diesel): ……..

OFFICIAL SIGNATURE: ……. **DATE:** …….…….

APPROVED BY: DESIGNATION: …….....

SIGNATURE: ……. **DATE:** ……..

AUTHORITY TO APPROVE: MANAGERS MAY APPROVE OFFICIAL TRIPS FOR ALL SUB-ORDINATE STAFF AND EXECUTIVE MANAGERS MAY APPROVE OFFICIAL TRIPS OF MANAGERS AND SENIOR MANAGERS

DRAKENSTEIN MUNICIPALITY

PRIVATE VEHICLE OFFICIAL BUSINESS TRIP MONTHLY CLAIM FORM

Vehicle Registration Number:	**Vehicle Name and Model:**
Engine Capacity:	**Fuel Supply: Petrol / Diesel**

Date	**Destination**	**Km's Claimed**
	Total Kilometers Travelled	
	Less: First 500 km's	**500**
	Kilometers Claimable	

Payroll Number	**Official's Name**	**Designation**	**Date**	**Signature**
Official's Name	**Designation**	**Approved (Yes/No)**	**Date**	**Signature**

FOR OFFICIAL CALCULATION BY PAYROLL OFFICE	
Kilometers Claimable	
Running Cost Tariff Payable per Kilometer	
Total Rand Value Payable	

SOUTH AFRICAN REVENUE SERVICE

NO. 268 **01 MARCH 2019**

DETERMINATION OF THE DAILY AMOUNT IN RESPECT OF MEALS AND INCIDENTAL COSTS FOR PURPOSES OF SECTION 8(1) OF THE INCOME TAX ACT, 1962 (ACT NO. 58 OF 1962)

By virtue of the powers vested in me by section 8(1)*(c)*(ii) of the Income Tax Act, 1962 (Act No. 58 of 1962), I, Mark Stanley Kingon, Acting Commissioner for the South African Revenue Service, hereby determine in the Schedule hereto the amounts which shall be deemed to have been actually expended by a person in respect of meals and incidental costs for the purposes of section 8(1)*(a)*(i)*(bb)* of that Act.

The amounts determined in this notice apply in respect of the year of assessment commencing 1 March 2019.

MS KINGON
ACTING COMMISSIONER FOR THE SOUTH AFRICAN REVENUE SERVICE

SCHEDULE

1. Unless the context otherwise indicates, any word or expression to which a meaning has been assigned in the Income Tax Act, 1962, bears the meaning so assigned.

2. The following amounts will be deemed to have been actually expended by a recipient to whom an allowance or advance has been granted or paid—

(a) where the accommodation, to which that allowance or advance relates, is in the Republic and that allowance or advance is paid or granted to defray—

(i) incidental costs only, an amount equal to R134.00 per day; or

(ii) the cost of meals and incidental costs, an amount equal to R435.00 per day; or

(b) where the accommodation, to which that allowance or advance relates, is outside the Republic and that allowance or advance is paid or granted to defray the cost of meals and incidental costs, an amount per day determined in accordance with the following table for the country in which that accommodation is located—

Table: Daily Amount for Travel Outside the Republic

Country	Currency	Amount
Albania	**Euro**	**97**
Algeria	**Euro**	**110**
Angola	**US $**	**303**
Antigua and Barbuda	**US $**	**220**
Argentina	**US $**	**133**
Armenia	**US $**	**220**
Austria	**Euro**	**131**
Australia	**A $**	**230**
Azarbaijani	**US $**	**145**
Bahamas	**US $**	**191**
Bahrain	**B Dinars**	**36**
Bangladesh	**US $**	**79**

Barbados	**US $**	**202**
Belarus	**Euro**	**62**
Belgium	**Euro**	**146**
Belize	**US $**	**152**
Benin	**Euro**	**89**
Bolivia	**US $**	**78**
Bosnia-Herzegovina	**Euro**	**75**
Botswana	**Pula**	**826**
Brazil	**Reals**	**347**
Brunei	**US $**	**88**
Bulgaria	**Euro**	**91**
Burkina Faso	**CFA Francs**	**58 790**
Burundi	**Euro**	**73**
Cambodia	**US $**	**99**
Cameroon	**Euro**	**116**
Canada	**C $**	**167**
Cape Verde Islands	**Euro**	**65**
Central African Republic	**Euro**	**94**
Chad	**Euro**	**121**
Chile	**US $**	**128**
China (People's Republic)	**US $**	**127**
Colombia	**US $**	**94**
Comoro Island	**Euro**	**122**
Cook Islands	**NZ $**	**211**
Cote D'Ivoire	**Euro**	**119**
Costa Rica	**US $**	**116**
Croatia	**Euro**	**102**
Cuba	**US $**	**124**
Cyprus	**Euro**	**117**
Czech Republic	**Euro**	**90**
Democratic Republic of Congo	**US $**	**164**
Denmark	**Danish Kroner**	**2 328**
Djibouti	**US $**	**99**
Dominican Republic	**US $**	**99**
Ecuador	**US $**	**163**
Egypt	**US $**	**118**
El Salvador	**US $**	**98**
Equatorial Guinea	**Euro**	**166**

Eritrea	**US $**	**109**
Estonia	**Euro**	**92**
Ethiopia	**US $**	**92**
Fiji	**US $**	**102**
Finland	**Euro**	**171**
France	**Euro**	**128**
Gabon	**Euro**	**172**
Gambia	**Euro**	**74**
Georgia	**US $**	**95**
Germany	**Euro**	**120**
Ghana	**US $**	**130**
Greece	**Euro**	**134**
Grenada	**US $**	**151**
Guatemala	**US $**	**114**
Guinea	**Euro**	**78**
Guinea Bissau	**Euro**	**59**
Guyana	**US $**	**118**
Haiti	**US $**	**109**
Honduras	**US $**	**186**
Hong Kong	**Hong Kong $**	**1 000**
Hungary	**Euro**	**89**
Iceland	**ISK**	**25 466**
India	**Indian Rupee**	**5 852**
Indonesia	**US $**	**86**
Iran	**US $**	**120**
Iraq	**US $**	**125**
Ireland	**Euro**	**139**
Israel	**US $**	**209**
Italy	**Euro**	**125**
Jamaica	**US $**	**151**
Japan	**Yen**	**16 275**
Jordan	**US $**	**201**
Kazakhstan	**US $**	**141**
Kenya	**US $**	**138**
Kiribati	**Australian $**	**233**
Korea, Republic	**Korean Won**	**187 735**
Kuwait (State of)	**Kuwait Dinars**	**51**
Kyrgyzstan	**US $**	**172**
Laos	**US $**	**92**

Latvia	**US $**	**150**
Lebanon	**US $**	**158**
Lesotho	**RSA Rand**	**750**
Liberia	**US $**	**112**
Libya	**US $**	**120**
Lithuania	**Euro**	**154**
Macao	**Hong Kong $**	**1 196**
Macedonia (Former Yugoslav)	**Euro**	**100**
Madagascar	**Euro**	**59**
Madeira	**Euro**	**290**
Malawi	**Malawi Kwacha**	**31 254**
Malaysia	**Ringgit**	**382**
Maldives	**US $**	**202**
Mali	**Euro**	**178**
Malta	**Euro**	**132**
Marshall Islands	**US $**	**255**
Mauritania	**Euro**	**97**
Mauritius	**US $**	**135**
Mexico	**Mexican Pesos**	**1 313**
Moldova	**US $**	**117**
Mongolia	**US $**	**69**
Montenegro	**Euro**	**94**
Morocco	**Dirhams**	**970**
Mozambique	**US $**	**128**
Myanmar	**US $**	**123**
Namibia	**RSA Rands**	**950**
Nauru	**Australian $**	**278**
Nepal	**US $**	**64**
Netherlands	**Euro**	**117**
New Zealand	**NZ $**	**191**
Nicaragua	**US $**	**90**
Niger	**Euro**	**75**
Nigeria	**US $**	**242**
Niue	**New Zealand $**	**252**
Norway	**NOK**	**1 760**
Oman	**Rials Omani**	**77**
Pakistan	**Pakistani Rupees**	**6 235**
Palau	**US $**	**252**

Palestine	**US $**	**147**
Panama	**US $**	**105**
Papa New Guinea	**Kina**	**285**
Paraguay	**US $**	**76**
Peru	**US $**	**139**
Philippines	**US $**	**122**
Poland	**Euro**	**88**
Portugal	**Euro**	**87**
Qatar	**Qatar Riyals**	**715**
Republic of Congo	**Euro**	**149**
Reunion	**Euro**	**164**
Romania	**Euro**	**85**
Russia	**Euro**	**330**
Rwanda	**US $**	**101**
Samoa	**Tala**	**193**
Sao Tome & Principe	**Euro**	**160**
Saudi Arabia	**Saudi Riyals**	**517**
Senegal	**Euro**	**113**
Serbia	**Euro**	**83**
Seychelles	**Euro**	**275**
Sierra Leone	**US $**	**90**
Singapore	**Singapore $**	**232**
Slovakia	**Euro**	**102**
Slovenia	**Euro**	**106**
Solomon Islands	**Sol Islands $**	**1 107**
South Sudan	**US $**	**265**
Spain	**Euro**	**112**
Sri Lanka	**US $**	**100**
St. Kitts & Nevis	**US $**	**227**
St. Lucia	**US $**	**215**
St. Vincent & The Grenadines	**US $**	**187**
Sudan	**US $**	**200**
Suriname	**US $**	**107**
Swaziland	**RSA Rand**	**818**
Sweden	**Swedish Kronor**	**1 317**
Switzerland	**S Franc**	**201**
Syria	**US $**	**185**
Taiwan	**New Taiwan $**	**3 505**
Tajikistan	**US $**	**97**

Tanzania	**US $**	**129**
Thailand	**Thai Baht**	**4 956**
Togo	**CFA Francs**	**64 214**
Tonga	**Pa'anga**	**251**
Trinidad & Tobago	**US $**	**213**
Tunisia	**Tunisian Dinar**	**198**
Turkey	**Euro**	**101**
Turkmenistan	**US $**	**125**
Tuvalu	**Australian $**	**339**
Uganda	**US $**	**111**
Ukraine	**Euro**	**131**
United Arab Emirates	**UAE Dirhams**	**699**
United Kingdom	**British Pounds**	**102**
Uruguay	**US $**	**144**
USA	**US $**	**146**
Uzbekistan	**Euro**	**80**
Vanuatu	**US $**	**166**
Venezuela	**US $**	**294**
Vietnam	**US $**	**146**
Yemen	**US $**	**94**
Zambia	**US $**	**119**
Zimbabwe	**US $**	**123**
Other countries not listed	**US $**	**215**

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA
Paarl | Wellington | Gouda | Saron | Simondium

Customer Care, Credit Control, Debt Collection & Indigent Support Policy

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1. DEFINITIONS

1.1 For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise:

1.1.1 ***"Act"*** The Local Government Act: Systems Act, No 32 of 2000 as amended from time to time.

1.1.2 ***"Authorised representative"*** means a person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.

1.1.3 ***"Chief Financial Officer"*** means the person appointed by Council to administer its finances.

1.1.4 ***"Child headed households"*** means a household where the main caregiver of said household is not older than 18 years of age and is still a child as defined in section 28(3) of the Constitution.

1.1.5 **"Client"** means a customer or occupier of a property who is receiving a municipal account or owner of the property.

1.1.6 ***"Council"*** means the Municipal Council of Drakenstein Municipality.

1.1.7 ***"Customer"*** means any occupier of any property to which the municipality has agreed to supply services or already supplies services to, including an occupier who only pays for water and electricity or failing such an occupier, then the owner of the property.

1.1.8 ***"Defaulter"*** means a person who owes money to the municipality after the due date has expired.

1.1.9 ***"Director"*** means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the City Manager.

1.1.10 ***"Disconnection of electricity supply"*** means the physical disconnection of conventional or pre-paid electricity supply or the 100% blocking of pre-paid electricity supply.

1.1.11 ***"Disconnection of water supply"*** means the restriction of the water supply via a trickle system.

1.1.12 ***"Engineer"*** means the person in charge of the civil and / or electrical component of the municipality.

1.1.13 ***"Equipment"*** means a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories.

1.1.14 ***"Interest"*** means a charge levied with the same legal priority as service fees and calculated at a rate determined by Council from time to time on arrear monies, based on a full month, where part of a month must be deemed as a full month.

1.1.15 ***"Late Payment"*** means the amount due to be paid to the municipality does not reflect on municipal bank account on the applicable due date.

1.1.16 "*Household*" means all persons (registered owner/s, occupier/s, vulnerable person/s or tenant/s) jointly living on a stand or site receiving sanitation, refuse removal, water and/or electricity services that is billed by the Municipality.

1.1.17 *"Household income"* means the gross sum of all monthly income from all sources including wages, salaries, profits, dividends, pensions, rentals, board & lodging, interest received, grants or investment income and other forms of earnings received by all persons residing on the property.

1.1.18 ***"Municipality"*** means the institution that is responsible for the collection of funds and the provision of services to the customers of Drakenstein.

1.1.19 ***"Municipal account"*** means an account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and / or assessment rates levies.

1.1.20 ***"City Manager"*** means the person appointed as City Manager in terms of section 82 of the Local Government: Structures Act, 1998, No 117 of 1998, and include any person acting in that position or to whom authority was delegated.

1.1.21 ***"Municipal services"*** means those services provided by the Municipality, such as, *inter alia* the supply of water and electricity, refuse removal, sanitation treatment, and for which services charges are levied.

1.1.22 ***"Occupier"*** means any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property.

1.1.23 ***"Owner"*** means:

(a) The person in whose name the property is legally vested;

(b) In the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, or any other legal representative;

(c) In the case where Council are unable to establish the identity of such person, the person who are entitled to derive benefit from the property or any buildings thereon;

(d) In the case of a lease agreement in excess of 30 years was entered into, then the lessee;

(e) Regarding:

(i) A portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, No 95 of 1986, without limiting it to the developer or managing body to the communal property;

(ii) A portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a "sectional title", including the legally appointed representative of such person;

(f) Any legal entity including but not limited to:

(i) A company registered in terms of the Companies Act, No 61 of 1973; a trust *inter vivos*; a trust *mortis causa*; a closed corporation registered in terms of the Close Corporation Act, No 69 of 1984; and, any voluntary organisation;

(ii) Any provincial or national government department, and a local authority;

(iii) Any council or management body established in terms of any legal framework applicable to the Republic of South Africa; and

(iv) Any embassy or other foreign entity.

1.1.24 ***"Property"*** any portion of land, of which the boundaries are determined, within the jurisdiction of the Municipality, including in the case of sectional title schemes, a sectional title unit as defined in the Sectional title Act, No 95 of 1986.

1.1.25 ***"Tenant"*** a person who occupies land or property rented from a landlord

2. GENERAL OBJECTIVES

2.1.1 The objectives of this policy are:

(a) To provide a framework within which the Municipality can exercise its executive and legislative authority with regard to credit control and debt collection;
(b) To ensure that all monies due and payable to the Municipality are collected and used to deliver services in the best interest of the community; residents and consumers; and, in a financially sustainable manner;
(c) To provide a framework for customer care;
(d) To describe credit control measures and sequence of events;
(e) To outline debt collection procedures and mechanisms;
(f) To determine indigent relief measures; and
(g) To set realistic targets for debt collection.

3. PRINCIPLES

3.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected councillors are responsible for policy-making, while it is the responsibility of the City Manager to ensure the execution of these policies.

3.2 All customers must complete an official application form, formally requesting the Municipality to connect them to service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the City Manager.

3.3 A copy of the application form, conditions of services and extracts of the relevant council's Customer Care, Credit Control, Debt Collection and Indigent Support Policy and by-laws must be handed to every customer on request at such fees as may be determined by Council from time to time.

3.4 Billing is to be accurate, timeously and understandable.

3.5 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.

3.6 The customer is entitled to an efficient, effective and reasonable response to appeals.

3.7 Enforcement of payment must be prompt, consistent and effective.

3.8 Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.

3.9 Incentives and disincentives determined by Council from time to time may be used in collection procedures.

3.10 The collection process must be cost-effective.

3.11 Results will be regularly and efficiently reported by the Executive Mayor and Mayoral Committee to Council.

3.12 Application forms will be used to, *inter alia*, categorise customers according to credit risk and to determine relevant levels of services and deposits required.

3.13 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.

3.14 The principle of paying for services instead of payment for arrear accounts is supported.

3.15 Consumers that meet Council's indigent criteria must be identified and supported.

4. DUTIES AND FUNCTIONS

4.1. Duties and functions of Council

4.1.1. To approve a budget consistent with the needs of communities, ratepayers and residents.

4.1.2. To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.

4.1.3. To facilitate sufficient funds to give access to basic services for the poor.

4.1.4. To provide for bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the Municipality.

4.1.5. To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority. Section 100 of the Act defines the Implementing Authority as the City Manager or service provider appointed by the Municipality collect outstanding debt.

4.1.6. To approve a reporting framework for customer care, credit control and debt collection.

4.1.7. To consider and approve by-laws to give effect to this policy.

4.1.8. To monitor the performance of the City Manager via the Executive Mayor and Mayoral Committee (Supervising Authority) regarding customer care, credit control, debt collection and indigent support.

4.1.9. To revise the budget should the targets for Council's customer care, credit control, debt collection and indigent support not be met.

4.1.10. To revise the budget should the targets for Council's customer care, credit control, debt collection and indigent support not be met.

4.1.11. To take disciplinary and / or legal action against councillors, officials and agents who do not execute Council policies and by-laws or act improperly in terms of such policies.

4.1.12. To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.

4.1.13. To delegate the required authority to monitor and execute the customer care, credit control, debt collection and indigent support policy to the Executive Mayor and Mayoral Committee, City Manager and Service Provider (if required) respectively.

4.1.14. To provide sufficient capacity in the Municipality's Department: Financial Services to execute customer care, credit control, debt collection and indigent support actions. Alternatively, if required as such, to appoint a Service Provider or debt collection agent to perform these actions.

4.1.15. To assist the City Manager in the execution of his duties, if and when required.

4.1.16. To provide funds for the training of staff.

4.2 Duties and functions of Executive Mayor and Mayoral Committee

4.2.1 To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws.

4.2.2 To monitor the performance of the City Manager in implementing this policy and by-laws.

4.2.3 To review and evaluate the policy and by-laws in order to improve the efficiency of Council's customer care, credit control, debt collection and indigent support procedures, mechanisms and processes.

4.2.4 To report to Council.

4.3 Duties and functions of the City Manager

4.3.1 To implement good customer care management systems.

4.3.2 To implement council's Customer Care, Credit Control, Debt Collection and Indigent Support Policy.

4.3.3 To install and maintain an appropriate accounting system.

4.3.4 To provide credible billing to customers.

4.3.5 To demand payment on due dates.

4.3.6 To raise penalties / interest for defaults.

4.3.7 To appropriate payments received.

4.3.8 To collect outstanding debt through a debt collection management system.

4.3.9 To provide different payment methods.

4.3.10 To determine customer care, credit control, debt collection and indigent support measures.

4.3.11 To determine all relevant work procedures for, *inter alia*, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.

4.3.12 To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders, etc.).

4.3.13 To set performance targets for staff.

4.3.14 To appoint staff to execute Council's policy and by-laws in accordance with Council's recruitment policy.

4.3.15 To delegate certain functions to executive directors in charge of departments.

4.3.16 To determine control procedures.

4.3.17 To monitor contracts with Service Providers in connection with credit control and debt collection.

4.3.18 To report to the Executive Mayor and Mayoral Committee.

4.3.19 To adhere to the Code of Conduct for Officials.

4.3.20 To confirm any payment of judgment amounts (or a delegated official) for matters instituted by the court of law.

4.4. <u>Duties and functions of communities, ratepayers and residents</u>

4.4.1. To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.

4.4.2. To pay service fees, rates on property and other taxes, levies and duties imposed by the Municipality on or before due date.

4.4.3. To observe the mechanisms and processes of the Municipality in exercising their rights.

4.4.4. To allow municipal officials reasonable access to their property to execute municipal functions.

4.4.5. To comply with the by-laws and other legislation of the Municipality.

4.4.6. To refrain from tampering with municipal services and property.

4.5 Duties and functions of councillors

4.5.1. To hold regular ward meetings (Ward Councillors).

4.5.2. To adhere to and convey council policies to residents and ratepayers.

4.5.3. To adhere to the Code of Conduct for Councillors.

5. PERFORMANCE EVALUATION (Annexure "A")

5.1 The Municipality must establish a mechanism to set targets for debt collection, customer care and administrative performance, evaluate and take corrective actions on a regular basis to enhance credit control and debt collection.

5.2 Revenue collection targets

5.2.1 Council to create targets that include the reduction in present monthly increase in debt in line with performance agreements determined by Council.

5.3 Customer service targets

5.3.1 Council to create targets that would include:

(a) Response time to customer queries;
(b) Date of first account delivery to new customers;
(c) Reconnection time lapse; and
(d) Meter reading cycle.

5.3.2 Above-mentioned to be reflected in Standard Operating Procedures of Council.

5.4 Administrative performance

5.4.1 Council to create targets that will include:

(a) Cost efficiency of debt collection;
(b) Query and appeal periods; and
(c) Enforcement mechanism ratios.

6. REPORTING

6.1 The Chief Financial Officer shall report monthly to the City Manager in a suitable format to enable the City Manager to report to the Executive Mayor and Mayoral Committee as Supervisory Authority in terms of section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:

6.1.1 Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions; and

6.1.2 Performance of all areas against targets agreed to in paragraph 5 of this policy document.

6.2 If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt revenue equivalent of the revenue projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the City Manager who will, if he / she agrees with the Chief Financial Officer, within legislative prescripts, immediately move for a revision of the budget according to realistically realisable income levels.

6.3 The Executive Mayor and Mayoral Committee as Supervisory Authority shall, at least at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

7. CUSTOMER CARE POLICY

7.1 <u>Objective</u>

7.1.1 To focus on the client's need in a responsible and pro-active way, to enhance the payment for services and to create a positive and co-operative relationship between the persons responsible for the payment for services received and the Municipality, and where applicable, any service provider.

7.2 <u>Communication</u>

7.2.1 The Municipality will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget, which will include targets for credit control.

7.2.2 Council's Customer Care, Credit Control, Debt Collection and Indigent Support Policy or relevant extracts thereof, will be available in English (Xhosa and Afrikaans on request) and will be made available by general publication and on specific request, and will also be available for perusal at Council's offices.

7.2.3 Council will endeavour to distribute a regular newsletter, which will give prominence to customer care and debt issues, in a cost effective manner.

7.2.4 Ward councillors will be required to hold regular ward meetings, at which customer care and debt collection issues will be given prominence.

7.2.5 The press will be encouraged to give prominence to Council's Customer Care, Credit Control, Debt Collection and Indigent Support Policy, and will be invited to Council or Committee meetings where these are discussed.

7.2.6 Council will endeavor to create partnerships with civil society organisations in promoting customer care, credit control, debt collection and indigent support issues.

7.3 Metering

7.3.1 The Municipality will endeavor, within practical and financial limits, to provide meters to every paying client for all consuming services.

7.3.2 All meters will be read monthly, if at all possible. If meters are not read on a monthly basis, Council will estimate the consumption in terms of Council's operational procedures.

7.3.3 Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.

7.3.4 Customers may be informed of a meter replacement.

7.3.5 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the Municipality or its authorised agent, and the customer is charged for estimated consumption, the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

7.4 Accounts and billing

7.4.1 Customers on the billing system will receive an understandable and accurate bill from the Municipality, which bill will consolidate all service costs for that property.

7.4.2 Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.

7.4.3 Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the Municipality or its authorised agent.

7.4.4 It is the customer's responsibility to ensure that postal address and other contact details are correct.

7.4.5 It is the customer's responsibility to ensure timeous payment in the event of accounts not received.

7.4.6 Settlement or due dates will be as indicated on the statement.

7.4.7 Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.

7.4.8 Where any payment made to the Municipality or its authorised representative by negotiable instrument is later dishonored by a bank, the municipality or its authorised agent:

(a) May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer; and
(b) Shall regard such an event as a default on payment.

7.4.9 The Municipality or its authorised agent must, if administratively possible, issue a duplicate account to a customer on request, at a cost determined by Council from time to time.

7.4.10 The Municipality will no longer open water and electricity accounts for tenants as from 01 July 2016. All new water and electricity connections after 1 July 2016 shall be levied on the owner's accounts. The existing tenant accounts will thus be phased out as tenants are moving out. Deposits for water and electricity are paid by the owners, in the case where there are still tenant's accounts and owners do not apply for the water and electricity, the Municipality will have the discretion to raise a deposit and transfer all levies from the date of registration to the owners account.

7.4.11 The only exception to paragraph 7.4.10 will be in cases where a qualifying indigent tenant applies for a water and electricity connection in order to be registered as an indigent consumer.

7.4.12 Adjustments made to a customer's account in favour of the customer, will be made for a maximum of three years preceding the date on which the error was detected.

7.4.13 Adjustments made to a customer's account, in favour of the municipality, will be made for the three years preceding the date on which the error was detected.

7.4.14 The owner will stay responsible for the payment of the outstanding accounts for electricity and water supply notwithstanding any agreement with an occupier or tenant of a property.

7.5 Payment facilities and methods

7.5.1 The Municipality will operate and maintain suitable payment facilities (internet payment facilities included), and which facilities will be accessible to all users.

7.5.2 The Municipality will at its discretion allocate a payment between service debts and a debtor, who has overdue debt, may not specify that the payment is for a specific portion of the account.

7.5.3 The Municipality may in terms of section 103 of the Systems Act, with the consent of a customer, approach an employer to secure a debit or stop order arrangement.

7.5.4 The customer will acknowledge, in the customer's agreement that the use of customer agents in the transmission of payments to the municipality is at the risk of the customer – also for the transfer time of the payment.

7.6 Incentives for prompt payment and final settlements

7.6.1 Council may, to encourage prompt payment and / or to reward regular payers, consider from time to time incentives for the prompt payment of accounts or payment by debit or stop order.

7.6.2 Such incentive schemes, if introduced, will be reflected in annual budgets as additional expenditure.

7.6.3 The Chief Financial Officer may accept full and final settlement offers arising from a dispute, where the last 12 months surcharges and interest may be waived after full payment of the capital amount has been made upon resolving the dispute.

7.6.4 The Chief Financial Officer may reverse interest and surcharges levied for a late payment, where a consumer was promptly paying an account for the last 12 months prior to the late payment.

7.7 Enquiries, appeals and service complaints

7.7.1 Within its administration and financial ability the Municipality will establish:

(a) A central complaints / feedback office;
(b) A centralised complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
(c) Appropriate training for officials dealing with the public to enhance communications and service delivery; and
(d) A communication mechanism to give council feedback on service, debt and other issues of concern.

7.7.2 If a customer is convinced that his or her account is inaccurate, he or she can lodge a query with the Municipality for investigation of this account, and where necessary the relevant alterations.

7.7.3 In the interim the debtor must pay the average of the last three months accounts where such history of the account is available. Where no such history is available, the debtor is to pay an estimate provided by the Municipality before payment due date until the matter is resolved.

7.7.4 The relevant department will investigate and inform the debtor within 60 days or as determined by the City Manager from time to time.

7.7.5 Failure to make the payment(s) mentioned in paragraph 7.7.3 above, will result in the Municipality collecting the balance outstanding on the customers' account using the normal credit control procedures as detailed in paragraph 8 here-under.

7.7.6 A customer or its authorised agent may appeal against the findings of the Municipality in terms of paragraph 7.7.2.

7.7.7 An appeal and request in terms of paragraph 7.7.6 must be made and lodged with the municipality within 21 (twenty-one) days after the customer became aware of the finding referred to in paragraph 7.7.4 and must:

(a) Set out the reasons for the appeal; and
(b) Be accompanied by any fee determined for the testing of a measuring device, if applicable.

7.8 Customer assistance programmes

7.8.1 Water Leakages

(a) If the leakage is on the customer's side of the meter, the customer will be responsible for the payment of all water supplied to the property.

(b) Where the consumer can provide an invoice and proof of payment from the service provider (e.g. Plumber) that repaired the leakage, the municipality may at its sole discretion provide relief based on a calculation to be done on the corresponding months of the previous' years consumption to determine the water lost due to the leak.

(c) A consumer~~s~~ to provide a sworn affidavit~~s~~ with proof of purchase of material used to repair a leakage. A consumer (indigents included) whom has repaired the leak themselves must provide Council with a sworn affidavit that the consumer fixed the leak themselves.

(d) The calculated consumption will be deducted from the higher leakage amount, where after the balance will be payable by the consumer.

(e) Should the leakage be for more than a year or two years, then the consumption will be monitored for 3 months after the leakage has been repaired, where after the account will be rectified as per above sub-paragraph (d).

(f) Where there is an abnormal water consumption that cannot be substantiated after the meter test results are obtained, the Executive Manager: Infrastructure or his delegated official must furnish the Chief Financial Officer with a recommendation in terms of reducing the consumption in line with the consumer's average consumption for the previous 12 months.

(g) The customer has the responsibility to control and monitor his / her water consumption, including where control devices are in use flow.

7.8.2 Property rate rebates

(a) Properties used exclusively for residential purposes may qualify for a rebated rate determined annually by Council.

(b) A rate rebate may be granted according to certain qualifying criteria to social pensioners or the receiver of a State disability grant and / or any category of customer, as determined by Council from time to time.

(c) These rebates will be determined as per Council's Property Rates Policy.

7.8.3 Arrangements for default settlements (Annexure "B")

(a) Customers with electricity and water arrears shall be converted to pre-paid meters. When such meters are installed the cost thereof and the arrears total will be paid off either by:

(i) Adding the debt to the arrears bill and repaying it over the agreed period; or

(ii) Adding the debt as a surcharge to the prepaid electricity or water cost, and repaying it with each purchase of electricity and water until the debt is liquidated (Refer to paragraph 8.9 of this policy for percentages).

(b) In the case of households qualifying for indigent support, the conversion costs to a prepayment meter will be funded through that portion of the equitable share contribution to the Municipality made from the national government's fiscus and as provided for in the budget.

(c) Council reserves the right to raise the deposit requirement of debtors who seek arrangements.

7.8.4 Rates by instalments

(a) Payment arrangements are determined as per Council's Property Rates Policy.

7.8.5 Customer categories

(a) Customers will be categorised according to specific classifications based on inter alia the type of entity and applicable tariffs and risk levels. Processes for

credit control, debt collection and customer care may differ from category to category, as deemed appropriate from time to time by the City Manager.

7.9 Priority customer management

(a) Certain customers will be classified as priority customers based on criteria determined by the City Manager from time to time, such as the number of properties owned or volume of consumption.

(b) A Priority Customer Liaison Officer or person nominated by the City Manager will be responsible for the ongoing management of the customers so classified and will perform tasks such as the review of monthly accounts to ensure accuracy, the monitoring of prompt settlement of accounts and response to queries.

8 CREDIT CONTROL POLICY

8.1 Objective

8.1.1 To implement procedures which ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt.

8.1.2 To facilitate financial assistance and basic services for the community's poor and provide incentives for prompt payment as well as ensuring limited risk levels by means of effective management tools.

8.2 Service application and agreements (Annexure "F")

8.2.1 All customers of services will be required to sign an agreement governing the supply and cost of municipal services (Annexure "F" or similar agreement).

8.2.2 Prior to signing these agreements, customers will be entitled to receive the policy document of the Council on request at a cost determined by Council.

8.2.3 On the signing of the agreement, customers will receive a copy of the agreement for their records.

8.2.4 Customers are responsible for costs of collection on a scale as determined between attorney and client, and interest in the event of delayed and / or non-payment. The interest will be charged at the prevailing prime interest rate.

8.2.5 Existing customers of services will be required to sign new agreements as determined by the City Manager from time to time. This will particularly be in the case of defaulters.

8.3 Right of access to premises

8.3.1 The owner and or occupier of property is to allow an authorised representative of the Municipality access at all reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service.

8.3.2 The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.

8.3.3 If a person fails to comply with the Municipality or its authorised representative, the Municipality may:

(a) By written notice require such person to restore access at his / her own expense within a specified period;

(b) If it is the opinion that the situation is a matter of urgency, without prior notice access the premises of such person in order to disconnect or repair any such meter or service connection provided that damage to the property of such person is minimised, minimum force is used and after the Municipality has gained such access that the premises of such person is secured; and

(c) The cost of gaining such access shall be for the account of the owner of the premises if the reason for the urgency is that of the owner or occupier of the premises.

8.4 Enforcement mechanisms

8.4.1 Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation. The levying of interest does not prevent credit control action to occur.

8.4.2 The above interest will not be raised on government accounts with arrears to avoid fruitless and wasteful expenditure in terms of the PFMA.

8.4.3 The municipality however reserves the right to disconnect and or restrict the water and electricity meters of government departments in the event of non-payment or late payment of their respective active.

8.4.4 Provided that the Municipality has served written notice on both the owners and occupiers (if applicable) of the property of at least seven (7) days, the Municipality shall have the right to restrict or discontinue the supply of services or to implement any other debt collection action necessary due to late or non-payment of accounts, relating to any consumer, owner or property.

8.5 Theft and fraud

8.5.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, the reticulation network or any other supply equipment or committing any unauthorised act associated with the supply of municipal services, as well as theft of and damage to Council property, may be prosecuted and / or is liable for penalties as determined by Council from time to time.

8.5.2 Any member of the local community that supply information with regard to any of the illegal actions as set out in paragraph 8.5.1, and the information when verified found to be true, will upon authorisation by the City Manager be rewarded as determined by Council from time to time. The name of the informant and the information supplied will at all times be kept confidentially so as to protect the informant against any retaliatory action.

8.5.3 Upon reasonable notice to both the owner as well as the occupier of the premises, Council will immediately terminate the supply of services to a customer should such conduct as outlined above, be detected.

8.5.4 The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council, if applicable, will be due and payable before any reconnection can be sanctioned.

8.5.5 Council will maintain monitoring systems in order to identify customers who are undertaking such illegal actions.

8.5.6 No person may in any manner tamper or interfere with any meter or metering equipment or service connection or service protective device or supply mains or any other equipment of the municipality.

8.5.7 Where prima facie evidence exists of a consumer and/or any person having contravened paragraph 8.5.6, the municipality shall have the right to disconnect the supply of electricity upon reasonable notice to both the owner as well as the occupier of the premises. The person shall be liable for all fees and charges levied by the municipality for such disconnection and subsequent reconnection.

8.5.8 Where a consumer and / or any person has contravened ~~sub~~section 18(d) of the Customer Care, Credit Control, Debt Collection and Indigent Support By-Law and such contravention has resulted in the meter recording less than the true consumption, the municipality shall have the right to recover from the consumer the cost of the estimated consumption, that was lost for three preceding years, based on the prevailing tariff in the year that the unauthorized consumption was identified.

8.5.9 Where a consumers meter does not switch off when all the units are consumed, then the municipality shall have the right to recover from the consumer the estimated consumption that was lost for three preceding years, based on the prevailing tariff in the year the unauthorized consumption was identified.

8.5.10 Council reserves the right to lay criminal charges and / or to take any other legal action against both vandals and thieves, including the recovery of costs of repairing / replacing of damaged devices.

8.5.11 Any person failing to provide information or providing false information to the municipality may face immediate disconnection and / or legal action.

8.6 Customer screening and securities

8.6.1 All applicants for municipal services may be checked for credit-worthiness including checking information from banks, credit bureaus, other local authorities, trade creditors and employers.

8.6.2 Deposits either in cash or any other security acceptable to the Municipality will be required, and may vary according to the risk as determined by the Municipality. A minimum deposit of the equivalent of two months average consumption will be required.

8.6.3 Deposits can be increased by the municipality at any time and at the sole discretion of the Municipality to a maximum of three months average consumption.

8.6.4 Deposits can vary according to the credit-worthiness or legal category of the applicant.

8.6.5 The Municipality will not pay any interest on deposits.

8.6.6 On the termination of the agreement the amount of the deposit, less any outstanding amount due to the Municipality, will be refunded to the consumer.

8.7 Persons and business who tender to the Municipality

8.7.1 The Supply Chain Management Policy and Tender Conditions of the Municipalities will include the following:

(a) When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the Municipality a certificate stating that all relevant municipal accounts owing by the tenderer and / or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears;

(b) No tender will be allocated to a person / contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during contract period; and

(c) A condition allowing the Municipality to deduct any moneys owing to the Municipality from contract payments.

8.8 Cost of collection

8.8.1 All costs of legal processes, including interest, penalties, service discontinuation costs and legal costs on attorney and client scale associated with customer care or credit control, wherever applicable, are for the account of the debtor and should reflect at least the cost of the particular action.

8.9 The pre-payment meter system

8.9.1 The Municipality will use its pre-payment system to:

(a) Link the provision of electricity and water by the Municipality to a “pre-payment” system comprising, first, a pre-payment of electricity kWh and water kiloliters; and

(b) A payment in respect of arrears comprising a “package” of accrued municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, refuse removal, sanitation and sewage.

8.9.2 A customer with arrears incurred since the January 2013 billing run who opts for the pre-payment system, will be required to repay all arrears in full before any amount is allocated to an electricity pre-payment, or, if the amount outstanding is large and / or the customer's ability to pay is limited (because of low income, cash flow problems etc.), to pay the arrears by allocating a percentage of all monies offered for purchases towards the arrears, as set out below, before any electricity credit is given:

(a) 30 days and older = 50%;
(b) 60 days and older = 60%;
(c) 90 days and older = 70%; and
(d) 120 days and older = 80%.

8.9.3 In cases where the 80% blocking methodology is not adequate to decrease the outstanding debt, the pre-paid metering system shall on reasonable notice to both the owner and the occupier be blocked at 100% or the electricity supply shall be disconnected.

8.9.4 When the owner, tenant or occupier is using the property in his business to earn an income, a basic electricity charge will be levied daily. The owner will be responsible for the daily electricity basic charge, even after a tenant or occupier has vacated the property.

9. DEBT COLLECTION POLICY

9.1 Objective

9.1.1 To provide procedures and mechanisms to collect all the monies due and payable to Council arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.

9.2 Personal contact

9.2.1 Telephonic contact, agents calling on clients:

(a) Council will endeavor, within the constraints of affordability, to make personal or telephonic contact with all arrear debtors to encourage their payment, and to inform them of their arrears state, their rights (if any) to conclude arrangements or to indigent support, other related matters and will provide information on how and where to access such arrangements or subsidies; and

(b) Such contact is not a right for debtors to enjoy and disconnection of services and other collection proceedings may continue, in the absence of such contact for whatever reason, provided that reasonable notice has been given to both the occupier and the owner of the concerned premises.

9.3 Interruption of service

9.3.1 Customers who are in arrears with their municipal account and who have not made arrangements with the Council will have their supply of electricity suspended or disconnected, provided that reasonable notice has been given to both the occupier and the owner of the concerned premises.

9.3.2 The disconnection of electricity services may happen when the municipal account is one (1) day overdue, provided that reasonable notice has been given to both the occupier and the owner of the concerned premises, where there are separate accounts registered on the system.

9.3.3 A fourteen (14) day disconnection notice will be issued for the first default. If a consumer defaults again in the following month, then a seven (7) day disconnection notice will apply.

9.3.4 Provided that Council has demanded payment of arrear rates and other municipal charges, Council reserves the right to deny or restrict the sale of electricity to customers who are in arrears with their rates or other municipal charges.

9.3.5 Upon the liquidation of arrears, or the conclusion of acceptable arrangements for term payment, the electricity service will be reconnected and / pre-paid electricity sold as soon as conveniently possible.

9.3.6 The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs approved by Council, and will be payable by the customer.

9.3.7 The deposit of any defaulter may be adjusted to bring into line with relevant policies.

9.4 Legal process / Use of attorneys / Use of credit bureaus

9.4.1 Council may, when a debtor is in arrears, commence legal process against that debtor, which process could involve final demands, summonses, court trials, judgements, garnishee orders and / or sales in execution of property.

9.4.2 Council will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by Council.

9.4.3 Council will establish procedures and codes of conduct with these outside parties.

9.4.4 Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.

9.4.5 All steps in the customer care and credit control procedure will be recorded for Council's records and for the information of the debtor.

9.4.6 All recoverable costs of this process will be for the account of the debtor.

9.4.7 Individual debtor accounts are protected and are not the subject of public information. However Council may release debtor information to credit bureaus. This release will be in writing or by electronic means.

9.4.8 Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost effectiveness.

9.4.9 Council may consider the use of agents as service providers and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service providers; and will be closely monitored by Council.

9.4.10 Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibility to observe agreed codes of conduct.

9.4.11 Any agreement concluded with an agent, service provider or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will constitute a breach of the contract.

9.5 Rates clearance

9.5.1 On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates and service charges owed by the owner seeking transfer are paid by withholding a rates clearance certificate as contemplated in section 118 of the Act.

9.5.2 The amount for the period prior to section 118 of the Municipal Systems Act, will be handed over for legal collection where the new and previous owner could be held liable for payment of these amounts.

9.6 Abandonment of claims

9.6.1 The City Manager must ensure that all avenues are utilised to collect the municipality's debt.

9.6.2 There are some circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Act, such as:

(a) The insolvency of the debtor, whose estate has insufficient funds;
(b) A balance being too small to recover, for economic reasons, considering the cost of recovery; and
(c) Where Council deems that a customer or groups of customers are unable to pay for services rendered.

9.6.3 The Municipality will maintain audit trials in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

9.6.4 Procedures for the abandonment of claims are determined in the Writing-Off of Irrecoverable Debt Policy.

10. MUNICIPAL EMPLOYEES AND COUNCILLOR DEBT

10.1 Staff arrears will be dealt with in accordance with Schedule 2 of the Systems Act, and in terms of any procedures, method or actions referred to in this Policy. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such staff members' salary after this three (3) month period.

10.2 In accordance with Schedule 1, item 12A of the Systems Act, a Councillor of the Municipality may not be more than 3 (three) months in arrears for municipal service fees, surcharges on fees, rates or any other municipal taxes, levies and duties levied by the Municipality. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such Councillor's remuneration after this three (3) month period.

11. INDIGENT AND FINANCIAL SUPPORT POLICY

11.1 The purpose of the indigent **and financial** support is to provide funding for a basic level of services to qualifying households with a total gross income level which is below a determined amount, and according to further specified criteria as determined by Council from time to time.

11.2 Council will supply an indigent **and financial assistance** subsidy, in line with national government regulations and guidelines to assist poor households in the Drakenstein municipal area. The subsidy will be provided by means of a rebated basket of basic municipal services.

11.3 Qualifying criteria

11.3.1 The indigent **and financial assistance** subsidy is available only to domestic households where:

(a) **The household meets the definition of a household and household income as defined in paragraphs 1.1.16 and 1.1.17 of this policy.** ~~The total income of owners/municipal tenants and all occupants over the age of 18 years residing on the property is equal to or less than the eligible income threshold as determined by Council on an annual basis.~~

(b) The household is headed by children who meet the definition stipulated under paragraph 1.1.4 of this policy.

(c) Account holders own one property.

(d) Account holders are deceased and the occupiers of the property qualify in terms of the eligible income threshold as determined by Council on an annual basis.

(e) Tenants of municipal rental property who meet the criteria of a household as per paragraph 11.3.1(a).

(f) Pensioners who has usufruct of a dwelling belonging to a non-qualifying owner (e.g. children or relative).

(g) Qualifying account holders do not occupy their properties for various reasons, leaving qualifying persons over the age of 18 years to reside on the property.

11.4 Subsidy requirement

(a) Only qualifying indigent ~~consumers'~~ **households and households eligible for financial assistance** who have up to a 30 Amp electricity connection will have their basic electricity charges subsidised as part of the indigent support grant.

(b) Qualifying indigent **households and households eligible for financial assistance** with an electricity connection greater than 30 Amp, will still qualify for the 100kWh free electricity but will not be subsidised for their basic electricity charges.

(c) Qualifying indigent consumers that exceed 20kl of water per month and are in arrears may have an automated flow restriction apparatus fitted to their water supply.

11.5 Funding

11.5.1 The source of funding of the indigent support is that portion of the equitable share contribution to the Municipality made from the national government's fiscus and as provided for in the budget. As such, the subsidy can only be credited to qualifying ~~customers'~~ **households'** accounts until the amount received by the Municipality from National Government for this purpose has been exhausted, whereupon no further credits will be made, or the level of the credits reduced, until further national funds are received.

11.6 Allocation of subsidised services

11.6.1 Subsidised services for the 2019/2020 financial year will be as follows:

(a) Property Rates, Refuse Removal and Sewerage

(i) One refuse removal once per week per household;
(ii) The minimum sewerage charge equivalent to 1 toilet per household and a basic fee equivalent to a maximum stand size of 550m²; and
(iii) Property rates to the extent that is determined in the Property Rates Policy of Council. From the 2019/2020 financial year, property rates equivalent to a maximum property value of R500,000 will be subsidized.

(b) Water and Electricity

(i) Water (Kiloliters per month as determined by Council from time to time). Consumption exceeding the kiloliters determined by Council will be payable by the customer. From the 2019/2020 financial year a maximum of 6 kiloliters free water per household per month will be subsidized;

(ii) Electricity (~~up to~~ 100 kWh per month **for Category A & B households and 50 kWh per month for Category C & D households**). Consumption exceeding 100 kWh will be payable by the indigent consumer; and

(iii) A household consuming more than 400 kWh units of electricity per month will still qualify to purchase electricity at the lifeline tariff but for the consumption above 400 kWh units of electricity per month will pay the normal electricity tariff.

(c) Municipal Rentals

(i) A rebate equivalent to the municipal rental amount for all qualifying indigent consumers to the maximum amount of the total basket of basic services provided to domestic indigent consumers will be granted.

(d) Free Bulk Services

(i) Free bulk services shall be the provision of services (water stand pipes, high mast lighting, toilets and refuse removal (skip bins) to informal settlements.

(ii) The cost of the provision of free bulk services is recovered from the Equitable Share allocation.

(e) Building Plans

(i) 50% rebate of building plan fees as per the approved tariff structure of the Municipality.

(f) Municipal Fire Brigade Fees

(i) 50% rebate on municipal fire brigade fees as per the approved tariff structure of the Municipality

11.7 Applications and documents required

11.7.1 The account holder must apply in person and must present the following documents upon application:

(a) The latest municipal account in his/her possession;

(b) The account holder's identity document;

(c) An application form indicating the names and identity numbers of the occupants who are responsible for the payment of the municipal services rendered to the residents at the property;

(d) Documentary proof of income and marital status (e.g. letter from an employer, salary advice, pension card, UIF card, etc.) must be presented in order to qualify for indigent and **financial** ~~support~~ **assistance**;

(e) In addition, applicants will be required to sign and submit a sworn affidavit to the effect that all information supplied is true and that all income from formal and/or informal sources has been declared. Special note should be taken that any person who supplies false information will be disqualified from further participation in the indigent support scheme. He/she will also be liable for the immediate repayment of all indigent support received and the institution of criminal proceedings, as Council may deem fit;

(f) Approved pensioner indigent applications (disabled persons and child headed families included) will be valid for a period of three financial years, starting from 2018/2019, and will be renewed in the financial year 2021/2022;

(g) If the application is approved, the indigent support will only be valid until the end of the financial year for which the indigent application has been evaluated with no guarantee of renewal, as it is funded by a grant from National Government to the Municipality. The onus is on account holders to re-apply for relief each year, failing which the assistance will cease automatically; and

(h) Council reserves the right to send officials to premises/households receiving relief for the purpose of conducting an on-site audit of the details supplied.

11.7.2 General indigent subsidy conditions

(a) If a consumer's consumption or use of the municipal service is less than the subsidized service, the unused portion may not be accrued by the customer and will not entitle the customer to cash or a rebate in respect of the unused portion.

(b) If a customer's consumption or use of a municipal service is in excess of the subsidised service, the customer will be obliged to pay for such excess consumption at the applicable rates.

(c) All consumers who qualify for an equitable share subsidy will be placed on restricted service levels in order to limit further escalation of debt.

(d) Where applicable, these consumers may be exonerated from a portion of their arrear debt.

(e) Where a qualifying customer's account is paid in full at the date of application, or regularly maintains a paid up account after receiving the subsidy, the restriction on service levels will be waived.

(f) An indigent customer must immediately request de-registration by the municipality or its authorised agent if his / her circumstances have changed to the extent that he / she no longer meets the criteria.

(g) An indigent customer may at any time request de-registration.

(h) A list of indigent customers will be maintained and may be made available to the general public.

(i) No indigent application will be approved if there is a rates clearance application on the system on date of indigent application. Such applications will only be approved in cases where the rates clearance is in terms of section 45(1) of the Deeds Registries Act, No47 of 1937.

(j) Council reserves the right to send officials to premises / households receiving relief for the purpose of conducting an on-site audit of the details supplied.

11.8 Additional subsidy categories

(a) Council may provide, free of charge to a customer, certain basic levels of water and electricity, as determined from time to time.

(b) Council may provide grants in lieu of rates to certain categories of owners of domestic properties to alleviate poverty.

(c) Rebates may be granted to sporting bodies for consumption but tariffs would at least cover the cost of the service.

(d) Rebates may be granted to large customers to attract business to Drakenstein that would benefit the community of Drakenstein.

~~11.9 Support to retired and disabled persons who just fall outside the indigent household bracket referred to in paragraph 1 and 2 above~~.

~~(a) Council may consider supporting retired and disabled persons households who just falls outside the indigent household bracket of two times the monthly government social grants paid to old age pensioners or disabled persons.~~

~~(b) These cases will be seen as special merit non-indigent household cases to be considered on an *ad hoc* basis by Council.~~

~~(c) These cases will have to comply with the above-mentioned application criteria as well as those listed in the Property Rates Policy before it will be considered by the Executive Mayor and Mayoral Committee of Council.~~

~~(d) Council may require a report from a welfare practitioner as part of the application criteria before considering the application and possible financial support.~~

11.10 Qualifying Income Thresholds

11.10.1 For the 2019/2020 financial year the total monthly income and corresponding financial support **for the different category households** is determined as follows:-

(a) **Category A:** R 0 to R4,450 per month - 100% of indigent support;
(b) **Category B:** R4,451 to R4,950 per month - 80% of indigent support;
(c) **Category C:** R4,951 to R6,200 per month - 50% of indigent support; and

(d) **Category D:** R6,201 to R6,500 per month - 20% of indigent support.

11.10.2 The Municipality retains the right to refuse the financial support if the details supplied in the application form were incomplete, incorrect or false.

11.10.3 ~~The Chief Financial Officer may apply his/her mind to exceptional cases not contained above.~~ **The City Manager, in consultation with the Chief Financial Officer, may in extra ordinary circumstances migrate a household from Category D to C, C to B or B to A.**

11.10.4 In the case of the underutilisation of the equitable share, the Executive Mayor, in consultation with the City Manager, may adjust the determined income thresholds in paragraph 11.10.1 above upwards.

ANNEXURE A: REVENUE COLLECTION TARGETS

1. Computerised credit control and debt collection management system

1.1 It is Council's intention to collect all revenue due to Council from customers who can afford to pay.

1.2 For this purpose it is acknowledged that the Municipality is in need of a computerised credit control and debt collection management system.

1.3 This system will be procured through the supply chain management process or alternatively the City Manager may obtain the services of an external service provider to perform this function.

2. Payment level on current accounts

2.1 The total outstanding debtors as at 28 February 2019 amounted to R280,772,783 of which R112,147,143 represented current debtors February 2019 billing run levies) and R168,625,640 represented arrear debtors.

2.2 It is acknowledged that the current payment level of all customers for the first eight months of the 2018/2019 financial year was 103.3%.

2.3 It is Council's intention to increase the payment level by 0.2% every 3 months until a 100% payment level of all customers who can afford to pay has been reached.

3. Recovery of arrears (Accumulated before the January 2018 billing run)

3.1 The Municipal Council reviewed on 31 May 2018 the Policy on the Writing-Off of Irrecoverable Debt with the following two incentives to their customer base to assist them to get out of their spiral of debt provided that all levies since the January 2018 billing run is paid up to date:

(a) Council will write-off 50% of the outstanding debt before the January 2018 billing run if a customer (all customers except for government or school debtors who are treated on an ad hoc basis) will pay the other 50% of the outstanding debt; and

(b) Council will write-off any outstanding debt before the January 2018 billing run that a household customer accrued that the household customer cannot afford to pay back over the next three years after his arrear and current payments has been capped at 20% of the household income.

3.2 To collect with the assistance of a computerised credit control and debt collection management system or an appointed service provider, all recoverable arrears over a maximum period of three years by using the incentives in the Writing-Off of Irrecoverable Debt Policy. Irrecoverable arrears (estimated between 40% and 60% of the arrear debtors' book) will have to be written-off.

3.3 To achieve this goal the level of recovery of recoverable arrears (writing-off incentives included) should be:

(a) Within 6 months = 20%;
(b) 7 to 12 months = 20%;
(c) 13 to 18 months = 20%;
(d) 19 to 24 months = 20%; and
(e) 25 to 36 months = 20%.

3.4 The Senior Manager: Revenue and Expenditure or delegated person can in extreme cases accept a longer period of repayment based on the financial position of the customer and other circumstances if the incentives in the Writing-Off of Irrecoverable Debt Policy do not assist the customer to get out of their spiral of debt within three years.

4. Recovery of arrears

4.1 It is acknowledged that not all customers might have been in arrears before the January 2018 billing run. Customers who accumulated arrears as from the January 2018 billing run will be recovered over a maximum period of one year.

4.2 To achieve this goal the level of recovery should be:

(a) Within 6 months = 50%;
(b) 7 to 9 months = 30%; and
(c) 10 to 12 months = 20%.

5. Customer service targets

(a)	Response time to customer queries:	Initial response within 5 working days
(b)	Date of first account delivery to new customers:	By second billing cycle after date of application or occupation whichever is the latest

(c)	Reconnection time:	Within 24 hours after appropriate payment / arrangement
(d)	Electricity meter reading cycle:	90% of meters being read on a monthly basis with a maximum of 3 consecutive months estimated
(e)	Water meter reading cycle:	80% of meters being read on a monthly basis with a maximum of 3 consecutive months estimated

6. Administrative performance targets

6.1 Cost Efficiency of Debt Collection:

6.1.1 Cost efficiency of debt collection:

(a) Cost of collection not to exceed the capital debt amount;
(b) All reasonable steps to be taken to limit cost to Council or the customer;
(c) Cost of collection is to be recovered from the defaulting customers; and
(d) Total cost of collection to be recovered by means of applicable credit control tariffs.

6.2 Query and appeal periods:

6.2.1 Sixty (60) working days to resolve queries and appeals through Council committees, the Executive Mayor and Mayoral Committee and Council.

ANNEXURE B: ARRANGEMENTS

1. ARRANGEMENTS

1.1 If a customer cannot pay his / her account with the Municipality then the Municipality may enter into an extended term of payment not exceeding 36 months The customer must:

1.1.1 Sign an acknowledgement of debt;

1.1.2 Sign consent to judgement;

1.1.3 Provide a garnishee order / emolument order / stop order (if he or she is in employment);

1.1.4 Acknowledge that interest will be charged at the prescribed rate;

1.1.5 Pay the current portion of the account in cash;

1.1.6 Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection of water and electricity will follow immediately, as will legal proceedings; and

1.1.7 Acknowledge liability of all costs incurred.

1.2 Consumer to agree to signing an electronic Acknowledgement of Debt form, which stipulates all of the above and acknowledges the arrangements made.

2. THE FOLLOWING ACCEPTABLE ARRANGEMENTS CAN BE ENTERED INTO WITH:

2.1 Domestic consumers

2.1.1 The prescripts of the Writing-Off of Irrecoverable Debt Policy will be used to determine the acceptable arrangements on arrears.

2.1.1 The customer may have three accounts in making such acceptable arrangements. A current account that must be paid up to date on a monthly basis, a suspended account that will carry the monthly arrangements instalments to be paid over a maximum of 36 months and a suspended account that will carry the calculated arrear amount to be written-off over 36 months.

2.1.2 Where the 20% of the gross salary of the consumer, does not cover the monthly account, the whole account will placed on an abeyance account to be written off over a three year period, with the proviso that the monthly account is paid up to date every month.

2.1.3 If the consumers default in terms of the above arrangement after three consecutive months this 20% option agreements fall away and whole arrear amount becomes due and payable.

2.1.4 The suspended accounts will bear no interest on arrears.

2.2 Churches, welfare organisations, sporting bodies, emerging farmers, etcetera

2.2.1 The prescripts of the Writing-Off of Irrecoverable Debt Policy will be used to determine the acceptable arrangements on arrears.

2.2.2 The customer may have two accounts in making such acceptable arrangements. A current account that must be paid up to date on a monthly basis and a suspended account that will carry the monthly arrangements instalments to be paid over a maximum of 24 months.

2.2.3 The suspended account will bear no interest on arrears.

2.3 Business, industrial and agriculture customers

2.3.1 The prescripts of the Writing-Off of Irrecoverable Debt Policy will be used to determine the acceptable arrangements on arrears.

2.3.2 The customer may have two accounts in making such acceptable arrangements. A current account that must be paid up to date on a monthly basis and a suspended account that will carry the monthly arrangements instalments to be paid over a maximum of 6 months.

2.3.3 The suspended account will bear no interest on arrears.

2.4 Government departments and schools

2.4.1 1st default in financial year:

(a) Three (3) weeks' notice – no arrangements; and
(b) Deposit shall be adjusted to 3 months consumption.

2.4.2 2nd default in financial year:

(a) Two (2) weeks' notice – no arrangements; and
(b) Deposit shall be adjusted to 3 months consumption.

2.4.3 3rd default in financial year:

(a) Forty eight (48) hours' notice – no arrangements; and
(b) Deposit shall be adjusted to 3 months consumption.

2.5 Administrations

2.5.1 Where a person has been placed under administration the following procedures will be followed:

(a) The debt as at the date of the administration court order will be placed on hold, and collected in terms of the court order by the administrator's dividend;
(b) The administrator is to open a new account on behalf of the debtor, with an updated deposit. No account is to be opened / operated in the debtor's name as the debtor is not entitled to accumulate debt (refer section 74S of the Magistrates Courts, No 32 of 1944;
(c) Until such time as this new account is opened, the debtor is to be placed on limited service levels. The consumer will be compelled to install a prepaid electricity and water meter, should one not already be in place. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter/s; and
(d) Should there be any default on the current account, the supply of services is to be limited or terminated on reasonable notice to the owner and consumer, and the administrator handed over for the collection of this debt.

2.6.1 Indigent households

2.6.1 All consumers qualifying as indigent households will receive monthly indigent support provided that a pre-paid water and/or pre-paid electricity meter may be installed on Council's cost. All arrear debt will be written-off as a once-off exercise per financial year.

2.6.2 Council acknowledges that pre-paid water and electricity meters cannot be installed at once and that this can only be done as and when the operating budget of the Municipality has available funds to install these meters.

2.6.3 Council also acknowledges that indigent households cannot afford to replace broken conventional and pre-paid electricity and water meters with new ones. They are also not in a financial position to replace broken electricity and water connections as well as to pay for minor repairs to sewerage connections and blockages. For this purpose Council will budget in their operating for such costs. Pre-paid electricity and water meters and minor repairs to service connections may therefore be done from Council's budgeted funds provided that the relevant Executive Manager has motivated such a request, that adequate funds on the operating budget is still available and that the **City** Manager or Chief Financial Officer has approved such a request.

ANNEXURE C: APPLICATION FORM FOR INDIGENT HOUSEHOLDS

Indigent Application Number:		
Indigent, Child headed, Retired and Disabled Households		
Category A: Income R0 – R4,450	**IND 100**	
Category B: Income R4,451– R4,950	**IND 080**	
Category C: Income R4,951– R6,200	**IND 050**	
Category D: Income R6,201– R6,500	**IND 020**	

1. APPLICATION FOR INDIGENT HOUSEHOLD & OTHER SUPPORT

1.1 In an effort to assist the needy population in the payment of basic municipal services, as detailed in the enclosed pamphlet, the Municipal Council of Drakenstein Municipality has agreed to a subsidy scheme whereby households earning less than R4,450 per month (2 x old age or social grant pension amount approved by the Minister of Finance x 25%) will have certain services fully or partly subsidised.

1.2 Please read the back of this form to see if you qualify and what documents or forms you are required to submit with this application. If you feel that you do qualify, you must complete the details of all the occupants (owner / spouse / tenants) who are responsible for the payment of municipal services on a property as at or from the date of this application, together with their respective gross monthly incomes, in the space below.

2. PERSONAL PARTICULARS OF ALL OCCUPANTS RESPONSIBLE FOR PAYING THE MUNICIPAL SERVICES

NO.	INITIALS	SURNAME	IDENTITY NUMER	MARRIED	CUSTOMARY	DIVORCED	SINGLE	EMPLOYED (YES/NO)	EMPLOYER NAME	GROSS MONTHLY INCOME	SOURCE OF INCOME
1										R	
2										R	
3										R	
4										R	

NO.	INITIALS	SURNAME	IDENTITY NUMER	MARRIED	CUSTOMARY	DIVORCED	SINGLE	EMPLOYED (YES/NO)	EMPLOYER NAME	GROSS MONTHLY INCOME	SOURCE OF INCOME
5										R	
6										R	
7										R	
8										R	
9										R	
10										R	

3. DECLARATION BY APPLICANT

I, the undersigned, resident at the address indicated above, hereby apply for the Household Indigent Support determined in relation to the income indicated above, and solemnly declare that:

(a) All particulars furnished on this form, including the total gross income of myself and all occupants of the premises, are to the best of my knowledge and belief, true and correct;

(b) If the particulars furnished in this form should change for any reason, I will immediately notify Council;

(c) I am aware that the information supplied in this form by me will be made available by Council to the Credit Bureau;

(d) I or any other occupant do not own any other property in the Republic of South Africa apart from the property indicated on the account for which this application is made;

(e) I agree that Council officials may conduct an on-site audit to verify the information supplied on this declaration;

(f) I am aware that any false declaration on this form is punishable by law and will result in disqualification of the subsidy; and

(g) I do hereby acknowledge that the debts in respect of the arrears amounting otherwise to R_____ as at _____ (together with interest accrued at the standard interest rate) on the account number indicated above remain payable by me unless Council resolves otherwise.

(h) I agree to the installation of a prepaid electricity meter and / or a prepaid water should my account fall in arrears for a period longer than 90 days or more.

_____	_____	_____
SIGNATURE / THUMB PRINT OF APPLICANT	**DATE**	**COMMISSIONER OF OATH**

FOR OFFICE USE ONLY

The consequences of the above declaration made by the applicant were explained to him/her and he/she indicated that:

(a) The contents of the declaration were understood; and

(b) If found to be untrue, he/she would automatically be disqualified from receiving any indigent support. He/she will be liable for the immediate repayment of any indigent support received and may have criminal proceedings instituted against him/her as Council may deem fit.

Municipal Attesting Officer: _____

ANNEXURE D: INDIGENT HOUSEHOLD SUPPORT SCHEME

VERIFICATION OF INFORMATION SUPPLIED: ACCOUNT NUMBER/S

1. _____

2. _____

In terms of the Indigent Support Scheme, the applicant has agreed that municipal employees may conduct an on-site audit to verify the information supplied on the application form.

SECTION A: PARTICULARS OF ACCOUNT HOLDER/S

1. Surname: _____
2. First names: _____
3. Date of birth: _____
4- Residential Address: _____
5. Postal address: _____
6. ID number: _____
7. Telephone no. on site: _____
8. Person/s interviewed: _____
9. Number of people living on the property _____

SECTION B: INCOME OF HOUSEHOLD

I.D. Number	Initials and Surname	Gross Monthly Income	Source of Income	Employed Yes/No	Proof of Income
	TOTAL				

ANNEXURE E: APPLICATION FOR MUNICIPAL SERVICES

TOWNSHIP: _____

STAND NO: _____

A. Please render / *discontinue the following services on _____(Date)_____ (_____ working days' notice is required)

Deposit payable: R _____ Receipt no: _____ Date: _____

Existing account no: _____ New account no: _____

WATER PROVISION			SEWERAGE (TOILET)		ELECTRICITY		REFUSE
Communal Standpipe	Yard Tap	House Connection	Bucket	Water Connection	Prepaid	Credit meter	Removal

TYPE OF SUPPLY:

Domestic		**Commercial**		**Industrial**		**Educational**		**State**		**Agricultural**	
State whether any type of business activities to be conducted from residential address (Mark with a cross (X))										**YES**	**NO**

At street address: _____

TYPE OF BUILDING

House		**Business**		**Flat**		**Complex**		**Sectional Title**		**Other**	

B. PERSONAL INFORMATION OF APPLICANT/CUSTOMER

Trust/ Close Corporation/Company name: _____

Trust/ Close Corporation/Company registration no.:[1] _____

Surname: _____ ID Number: _____

First Names: _____ Pension Number : _____

Previous Address: _____

Postal Address: _____

Employer: _____

Work Address: _____

Employee Number: _____

Postal Code: _____ Number of years at current site : _____

Tel. Work: _____ Tel. Home: _____

Occupation: _____ Cell No: _____

[1] No application form will be considered unless copies of the relevant registration forms are attached

Marital Status: _____ Bank Details: _____

Spouse Details: Branch: _____

ID Number: _____ Account No: _____

Cell No.: _____ **Do you wish to make use of:**

Name of Employer: _____ Debit order: YES NO

Work Address: _____ Stop order: YES NO

Work Tel. No.: _____ Vehicle Registration No: _____

(In/out community of property/Marital Status Contract /Divorced)(Delete that is not appropriate)

List of other accounts held: 1 _____ Account No.: _____

2 _____ Account No.: _____

3 _____ Account No.: _____

Previous municipal account _____(Name of municipality)_____ Account No.: _____

Occupiers of stand other than family (rental, backyard lodgers, spaza shops, taxis, etc) : _____

Number of people residing on property: ☐ Over 18: ☐ Under 18: ☐

Income of household if applying for indigent support
(Include all sources of revenue of all the persons residing on the site): R _____ per month

Method of account delivery: Fax ☐ Fax No: ☐ Post ☐

E-mail ☐ E-mail address: ☐

Name and address of a family member and/or friend not residing at the same address: _____

_____ Tel. No.: _____

If not the owner, to whom do you pay rent: _____

_____

C. TO BE COMPLETED BY OWNER/AGENT/CARETAKER FOR LEASED PROPERTIES

Surname: _____ First Names: _____

Home Address: _____ ID Number: _____

Name of Employer: _____

Date: _____ Signature: _____

D. DECLARATION BY APPLICANT

1. **I hereby declare that I/we agree to the conditions of supply of the mentioned services as laid down in the by-laws of the Municipality and other laws that are applicable.**
2. **I/We hereby certify the information furnished to be correct.**
3. **I/We hereby accept the street address/stand number specified above as my own domicilium citandi et executandi address where I will accept any notices to be served.**

4 **I/We received a duplicate of this application form and am/are aware of the applicable further conditions of supply set out in the annexure at the back of this form.**

5 **I/We agree that the terms of the Municipal Customer Care, Credit Control, Debt Collection and Indigent Policy are included by reference as terms and conditions of this supply**

_____ _____

CUSTOMER/APPLICANT **ON BEHALF OF MUNICIPALITY**

DATE: _____ **DATE:** _____

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA
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Tariff Policy

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PREAMBLE

Whereas section 74 of the Local Government: Municipal Systems Act, No 32 of 2000, requires a municipal council to adopt a tariff policy on the levying of fees for municipal services;

And whereas the tariff policy at least should include the principles contained in section 74(2) of the Act; thus giving effect to the By-Law required in terms of section 75 of the Act;

And whereas the tariff policy may differentiate between different categories of users, debtors, service providers, service standards and geographical areas as long as such differentiations do not amount up to unfair discrimination;

Now therefore the Municipal Council of Drakenstein Municipality adopts the following Tariff Policy:

1. DEFINITIONS

1.1 In this Tariff Policy, unless inconsistence with the context, a word or expressions to which a meaning in the Act has been attached means:

1.1.1 ***"Accounting Officer"*** means the Accounting Officer appointed in terms of section 82 of the Local Government: Municipal Structures Act, No 117 of 1998, and being the head of administration and Accounting Officer in terms of section 55 of the Local Government: Municipal Systems Act 2000, No 32 of 2000.

1.1.2 ***"Basic Charge"*** means a fixed charge to recover fixed costs such as capital, meter reading, billing, vending, maintenance, etc. It may be recovered as a daily or monthly charge, but it is not applicable to subsidised tariffs. It is applicable irrespective of whether any services were used or not.

1.1.3 ***"Basic municipal services"*** means municipal services that are necessary to ensure an acceptable and reasonable quality of life and, if not provided, could endanger public health or safety of the environment. For Drakenstein Municipality this shall include *inter alia* electricity, water, refuse removal and sewerage services.

1.1.4 ***"Break-even"*** occurs when the revenue is equal to the total of the fixed and variable cost associated with the provision of the service.

1.1.5 ***"Co-generation"*** means the self-generation of electricity for consumption purposes used in conjunction with electricity from the municipal grid.

1.1.6 ***"Community services"*** are services that the Council has classified as such and the tariffs have been compiled with the intention that the costs of the services cannot be recovered fully from public service charges and are of a regulatory nature.

1.1.7 ***"Connection fee"*** means the fee payable as a contribution towards the cost of providing supply. This may be subsidised to facilitate the provision of services to poor households;

1.1.8 ***"Consumption based tariff"*** means a tariff set as a Rand amount per measurable unit of service;

1.1.9 ***"Cost reflective tariff"*** means a two part tariff consisting of a Basic Charge and an Energy Charge or a three part tariff which includes a Demand Charge;

1.1.10 **"Consumer, customer, owner, occupier and account-holder"** in this policy refers to individuals and other legal entities against whom a tariff, fee, charge or other levy specific to identifiable services are levied.

1.1.11 ***"CPIX"*** means the consumer price index excluding mortgage costs as measured by Stats SA;

1.1.12 ***"Credit Meter"*** means a meter where an account is issued subsequent to the consumption of the service (water or electricity);

1.1.13 ***"Demand Charge"*** means the charge payable for each kilovolt-ampere (kVa) for the maximum demand supplied during any 30 consecutive minutes of a calendar month;

1.1.14 ***"Economic services"*** are services that Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers.

1.1.15 ***"Energy Charge"*** **means a charge for each kilowatt-hour (kWh) of electrical energy;**

1.1.16 ***"Executive Director"*** means a person appointed by Council in terms of section 56(1)(a) of the Act as a manager directly accountable to the municipal manager.

1.1.17 ***"Green Energy"*** means energy generated from a sustainable source such as solar, wind or wave;

1.1.18 ***"Interest***" means the prime bank lending rate

1.1.19 ***"Low Voltage (LV)"*** means 230 volts single phase / 400 volts three phase;

1.1.20 ***"Medium Voltage (MV)"*** means the set of voltage levels greater than 1kV up to and including 44kV;

1.1.21 ***"Meter"*** means a device that records the demand and / consumption of a specific service (water or electricity) and includes Credit and Prepayment meters;

1.1.22 ***"Poor households"*** means those households in the municipal area that cannot afford to pay either the entire tariff charge for the municipal services, or part of it.

1.1.23 ***"Prepayment Meter"*** means a meter that can be programmed to allow the flow of a pre-purchased amount of energy in an electrical circuit or water circuit.

1.1.24 ***"Refuse removal service point"*** means any inhabitable unit on an erf (dwelling, flat, etcetera) where a standard refuse collection service is rendered notwithstanding the number of bins collected at the service point.

1.1.25 ***"Resident"*** means a person who ordinary resides in the jurisdictional area of Drakenstein Municipality.

1.1.26 ***"Schedule of Tariffs"*** means a schedule containing details pertaining to levels and application of various tariffs as approved by the Municipality from time to time;

1.1.27 ***"Special Tariffs"*** means a special tariff which may be introduced from time to time in terms of sub-paragraph 74(2) (g) of the Municipal Systems Act

1.1.28 ***"Sundry Tariff"*** means a charge for additional general services rendered such as reconnections, disconnections, meter testing, etc. These will be published in a tariff schedule, which may be adjusted from time to time;

1.1.29 ***"The Act"*** refers to the Local Government: Municipal Systems Act, No 32 of 2000.

1.1.30 ***"Total cost"*** is the sum of all fixed and variable costs associated with a service.

1.1.31 ***"Trading services"*** are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit on the delivery of the services.

1.1.32 ***"Units consumed"*** are the number of units consumed of a particular service.

1.1.33 ***"Variable costs"*** are costs that vary with consumption or volume produced.

1.2 About translation

1.2.1 In the event of any discrepancy between the Xhosa, Afrikaans or English versions of this policy, the English version will be regarded as the official version of the said policy.

2. PURPOSE OF THIS POLICY

2.1 Drakenstein Municipality wishes to achieve the following objectives by adopting this Tariff Policy:

(a) To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, No 32 of 2000;
(b) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76(b) of the Act; and
(c) To give guidance to the Executive Mayor and Mayoral Committee regarding tariff proposals that must be submitted to Council annually during the budget process.

3. TARIFF PRINCIPLES

3.1 Drakenstein Municipality wishes to record that the following tariff principles will apply:

(a) All users of municipal services will be treated equitably;
(b) The amount payable by consumers and / or owners will generally be in proportion to usage of the service;
(c) Poor households must have access to basic services, however relief will be granted to poor households on a universal approach and not a targeted approach;
(d) Free basic services will depend on the equitable share grant received from the National Government which covers the full costs of the free basic services;
(e) Tariffs must reflect the total cost of services;
(f) Tariffs must be set at a level that facilitates the sustainability of services. Sustainability will be achieved by ensuring that:
    (i) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made;
    (ii) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services in order to subsidise rates and general services; and
    (iii) By ensuring that service providers retain a fair rate of return on their investments;
(g) Provision may be made in appropriate circumstances for levying interest;
(h) Efficient and effective use of resources may be encouraged by providing for penalties to prohibit or restrict exorbitant use;

(i) The extent of subsidisation of tariffs will be disclosed and such disclosure will include the extent of subsidisation of the poor or incentives for local economic development;

(j) Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;

(k) VAT is excluded from all tariffs and will be additional to these tariffs when applicable; and

(l) This policy shall be binding on all tariffs other than those governed by legislation, which supersedes the Local Government: Municipal Systems Act, No 32 of 2000.

3.2 Notwithstanding any of the above principles, indigent households **and households qualifying for financial assistance** identified as such would qualify for relief in terms of section 6 of this Policy.

4. CATEGORIES OF CUSTOMERS

4.1 Council may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

4.2 Where there are substantial differences between the infrastructures used to provide services to specific groups of users within a category and / or standard of services provided, the Council can, after considering a report by the Accounting Officer or the relevant executive manager of a Department determine differentiated tariffs for the different consumers within the specific category.

5. INVESTMENTS AND INCENTIVE POLICY

5.1 Tariffs will not reflect incentives for investment or to promote economic development. Such incentives will be developed as a separate policy and be subject to the discretion of Council in order to enhance sustainability.

5.2 All such incentives will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, financial statements or reports.

6. INDIGENT AND FINANCIAL ~~RELIEF~~ ASSISTANCE

6.1 Tariffs will not reflect relief granted to poor households. Such incentives will be developed in separate policies (Customer Care, Credit Control, Debt Collection and

Indigent Support Policy and Property Rates Policy) and be subject to the discretion of Council in order to enhance sustainability.

6.2 As such relief will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, financial statements or reports.

6.3 During implementation of these policies, cognisance will be taken of the fact that the existing tariffs and procedures may require amendment to accommodate the above clauses and that such amendments may be phased in over time.

6.4 Poor households are expected to manage their consumption beneath the levels of relief granted and are responsible for the payment of electricity and water consumption above the levels of relief granted.

6.5 Assistance and management of poor households is contained in the Customer Care, Credit Control, Debt Collection and Indigent Support Policy and Property Rates Policy with their applicable by-laws. The Municipality, however, retains the right to limit consumption through prepaid meters or restriction of services if the account of an assisted household falls into arrears.

7. SERVICE- AND EXPENDITURE CLASSIFICATIONS AND COST ELEMENTS

7.1 Service Classification

7.1.1 To isolate the costs associated with a service, the Chief Financial Officer shall, subject to guidelines provided by National Treasury of the Department of Finance and / or the Municipal Council, make provision for *inter alia* the following classification of services:

(a) Trading Services

(i) Water; and
(ii) Electricity

These services must generate a surplus which will be used to subsidize community services other than economical services.

(b) Economic Services

(i) Refuse removal;

(ii) Sanitation disposal;
(iii) Fixed billboards and the display of advertisements in public places; and
(iv) Holiday resorts

These services' charges must cover the cost of providing the services, i.e. it must at least break even. In the event of the latter not being possible within a period, the shortfall will be financed from the Municipal Property Rates revenue

(c) Rates Services

The revenue from Municipal Property Rates is utilized for Rates related services.

(d) Housing Services

These services are ring-fenced in the Housing Development Fund and the net operating balance is set off as a contribution to/from the Housing Development Fund.

(e) Community Services

(i) Air pollution;
(ii) Administration and treasury services;
(iii) Firefighting services;
(iv) Local tourism;
(v) Town planning;
(vi) Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law;
(vii) Storm water management system in built-up areas;
(viii) Trading regulations;
(ix) Cemeteries;
(x) Control of public nuisances;
(xi) Control of undertakings that sell liquor to the public;
(xii) Crime prevention;
(xiii) Facilities for accommodation, care and burial of animals;
(xiv) Fencing and fences;
(xv) Housing facilitation;
(xvi) Licensing of dogs;

(xvii) Licensing and control of undertakings that sell food to the public;
(xviii) Local Economic development;
(xix) Local amenities;
(xx) Local sport facilities;
(xxi) Marketing;
(xxii) Municipal parks and recreation;
(xxiii) Municipal roads;
(xxiv) Noise pollution;
(xxv) Pounds;
(xxvi) Public places;
(xxvii) Street trading / street lighting;
(xxviii) Trading licenses;
(xxix) Traffic and parking;
(xxx) Building control;
(xxxi) Licensing of motor vehicles and transport permits; and
(xxxii) Nature reserves

(f) ***Subsidised Services***

(i) Health and ambulance;
(ii) Libraries and museums; and
(iii) Proclaimed roads.

7.2 Expenditure Classification

7.2.1 Expenditure categories will be classified in accordance with Generally Recognised Accounting Practice (GRAP).

7.3 Cost Elements

7.3.1 The following cost elements may be used to calculate the tariffs of the different services:

(a) ***Fixed Costs:***

Fixed costs consist of:

(i) Employee related costs applicable to the service to ensure that the service can be rendered on an on-going basis at the desired service level;

(ii) Capital costs (interest and depreciation) on external loans; depreciation on assets obtained through grants; as well as depreciation on assets obtained through own funds, whichever are applicable to the service; and

(iii) Any other costs of a permanent nature as determined by the Council from time to time.

(b) Variable Cost:

This includes all other variable costs that have reference to the service.

(c) Total Cost:

This is equal to the fixed cost plus variable cost.

8. TARIFF TYPES

8.1 In determining the type of tariff applicable to the type of service, the municipality shall make use of any of the following six options or a combination thereof.

(a) Single tariff:

This tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Chief Financial Officer, the Council may decide to approve profits on trading services during the budget meeting. Such profits will be added to the fixed and variable cost of the service for the purpose of calculating the tariffs.

(b) Cost related two to four part tariff:

This tariff shall consist of two to four parts. Management, capital, maintenance and operating costs may be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and may be recovered by a fixed charge, independent of consumption for all classes of consumers; or the total costs may be recovered by a unit charge per unit consumed. Three and four part tariffs will be used to calculate the tariff for electricity and to provide for maximum and notified demand (KVA charges) and usage (kWh charges) during peak, standard and off-peak (Time-of-use charges) periods.

(c) Inclining block tariff:

This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase.

(d) Declining block tariff:

This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase.

(e) Regulating tariff:

This tariff is only of a regulatory nature and the Municipality may recover the full or a portion of the cost associated with rendering the service.

(f) Cost plus mark-up tariff:

This tariff is for other services rendered.

9. CALCULATION OF TARIFFS FOR MAJOR SERVICES

9.1 In order to determine the tariffs which must be charged for the supply of the four major services (electricity, refuse removal, sanitation and water), the Municipality shall use service and expenditure classifications and cost elements contained in paragraph 7 above and identify all the costs associated with the service concerned, including specifically the following:

(a) Cost of bulk purchases in the case of water and electricity;
(b) Distribution costs, including distribution losses in the case of water and electricity;
(c) Depreciation and finance charges;
(d) Maintenance of infrastructure and other fixed assets;
(e) Administration and service costs, including:
    (i) Service charges levied by other support services such as finance, human resources, legal services, information technology services, etcetera;
    (ii) Reasonable general overheads such as the costs associated with the office of the Accounting Officer and etcetera;
    (iii) Adequate contributions to the provisions for bad debts, working capital and obsolescence of stock; and

(iv) All other ordinary operating expenses associated with the service concerned including in the case of the electricity service, the cost of providing street lighting in the municipal area;

(f) The cost of the democratic process in the municipality – that is all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues and shall also be included into the costing of the major services of the municipality;

(g) The intended surplus to be generated for the financial year, such surplus to be applied:

(i) As an appropriation to the capital replacement reserve; and / or

(ii) Generally in relief of rates and general services; and

(h) The municipality shall provide the first 6kl of water per month free of charge to all approved indigent households **and households qualifying for financial assistance.**

9.2 Electricity

9.2.1 The guidelines and policy issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs.

9.2.2 To make electricity affordable to certain categories of consumers, cross subsidisation between and within categories of consumers, will be allowed based on the load factors of the categories and consumers within the category.

9.2.3 To cater for alternative sources of energy generation a co-generation tariff based on the amount of green energy pushed back into the municipal grid has been determined.

9.2.4 The fixed costs or portions thereof will be recovered through an energy or time-of-use charge.

9.2.5 To apply the abovementioned principles, the consumer types and cost allocations reflected in the following table will be used:

Categories of consumers	Fixed Charge Rand/Customer /Month	Active Energy Charge Cents/kWh	Seasonally Time-of-Use Energy Charge Peak/Standard/ Off-Peak (kWh)	Capacity Charge Rand/KVA/ Month
Domestic Pre-paid	X	X		X
Domestic	X	X		X
Business Pre-paid	X	X		X
Small business >60A	X	X		X
Small business <60A	X	X		X
Business = 400 V	X	X		X
Business = 11 kV	X		X	X
Co-Generation	X	X	X	

9.2.6 Fixed charges and capacity charges may be combined to a single basic charge to be levied per month.

9.2.7 The basic charges for both credit and pre-paid electricity shall be the same.

9.2.8 Where a property is not connected to the electricity reticulation system, but can reasonably be so connected, an availability tariff will be payable.

9.3 **Water**

9.3.1 The categories of water consumers as set out below, shall be charged at the applicable tariffs as approved by the council in each annual budget.

9.3.2 Categories of consumption and charges

9.3.2.1 Domestic Consumers

(a) The first 6 (six) Kl of water consumption per month shall be supplied free of charge to all indigent households ~~consumers~~ **and to households qualifying for financial assistance.**

(b) Because water is a scarce national resource and this municipality is committed to the prudent conservation of such resources, the tariff levied for domestic consumption of water shall escalate according to the volume of water consumed.

(c) The tariffs for conventional domestic consumption shall be based on the levels reflected in the following table:

Kilolitres per month			
Step 1	0	to	≤6
Step 2	> 6	to	≤10
Step 3	>10	to	≤15
Step 4	>15	to	≤30
Step 5	>30	to	≤50
Step 6	>50	to	≤80
Step 7	>80	and	above

(d) The pre-paid domestic consumers' tariff shall be based on the levels reflected in the following table:

Kilolitres per month			
Step 1	0	to	≤6
Step 2	>6	to	≤10
Step 3	>10	to	≤15
Step 4	>15	to	≤30
Step 5	>30	to	≤50
Step 6	>50	to	≤80
Step 7	>80	and	above

(e) Domestic Untreated water:

Kilolitres per month			
Step 1	0	to	≤6
Step 2	>6	to	≤10
Step 3	>10	to	≤15
Step 4	>15	to	≤30
Step 5	>30	to	≤50
Step 6	>50	to	≤80
Step 7	>80	and	above

(f) A basic charge per water meter as determined by the Council from time to time will be charged on all water consumers.

(g) Where consumers are not connected to the water services and these consumers can reasonable connect to the service within an approved township establishment, an availability tariff will be payable.

(h) A water restriction tariff is approved by Council annually to be implemented during times of water restrictions forced onto us by our suppliers of water or drought conditions. This increased tariff will be applied to all the categories and their usage levels as illustrated in paragraph c and e above.

9.3.2.2 Other Water consumers

Categories of consumers	Single Tariff	Sliding Scale
Sport Purposes, Schools, College, Churches		X
Irrigation Purposes		X
Industrial Purposes		X
Any other purposes other than above	X	
Waste water effluent		X
Sport Organisation hosting national or international events	X	
Prisons	X	
Caravan Park Gouda	X	
Businesses Saron		X
Business Rural Area	X	
Special Agreements		X
Municipal Usage	X	
Water sold at Paarl Waterworks Depot (To be paid in advance)	X	
Usage due to transgression	X	
Standpipes	X	

9.3.3 A basic/availability charge per month shall be charged to every vacant erf.

9.4 Refuse Removal

9.4.1 A fixed monthly refuse removal charge shall apply to each category of users based on the full costs of the service concerned and the applicable level of service that can vary from once a week up to seven times a week.

9.4.2 The fixed charge referred to in paragraph 9.4.1 above will apply to every refuse removal service point as defined and the costs associated with its disposal.

9.4.3 A basic/availability charge per month shall be charged to every vacant erf.

9.4.4 A basic/availability charge per month shall be charged to each developed erf within a gated village, sectional title estate or any other property that make use of a private contractor for collection and disposal of refuse. The basic/availability charges per month for the above categories will be based on the difference between the number of refuse bins and the number of waste generators (registered sectional title units, lettable space, flats etc.)

9.5 Sewerage

9.5.1 The categories of sewerage users as set out below shall be charged per month at the applicable tariff as approved by Council in each annual budget.

9.5.2 Categories of usage and charges

(a) A basic (availability) charge per month shall be charged for vacant erven.

(b) A separate fixed monthly sewerage charge shall apply to each category of users based the size of a developed plot.

(c) An additional monthly fee may be charged per toilet or any other type of measurement Council may determine from time to time.

(d) An effluent fee shall further be payable by factories and other industrial users where the waste water emanating from such users requires special purification measures by the municipality. Such fees shall be based on the toxic content of the waste water concerned and the costs of the purification.

9.6 Minor tariffs

9.6.1 All minor tariffs shall be standardised within the municipal region.

9.6.2 All minor tariffs shall be approved by Council in each annual budget and shall, when deemed appropriate by Council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

9.6.3 Minor tariffs shall include but not limited to the following:

(a) Cemetery fees;
(b) Housing rentals;
(c) Library fees (e.g. membership fees, fines, lost books, lost membership cards);
(d) Rentals for the use of municipal premises;
(e) Rentals for the use of municipal sports grounds;
(f) Rentals for the lease of municipal property;
(g) Building plan fees;
(h) Advertising sign fees;
(i) Plastic bag sales;
(j) Refuse bin sales;
(k) Cleaning of stands;
(l) Sewerage connection fees;
(m) Photostat copies and faxes;
(n) Clearance certificates;
(o) Pound fees;
(p) Electricity: disconnection and reconnection fees;
(q) Electricity: new connection fees;
(r) Water: disconnection and reconnection fees;
(s) Water: new connection fees;
(t) Penalty and other charges in terms of the Customer Care, Credit Control, Debt Collection and Indigent Support Policy;
(u) Supply of information;
(v) Garden refuse removal;
(w) License fees (drivers, learner license and road worthy);
(x) Sale of livestock; and
(y) Sale of miscellaneous items.

9.6.4 The Accounting Officer shall maintain a list of all minor services indicating their unit of service for the purpose of determining tariffs, fees, charges and levies. Such list shall be reviewed annually together with the proposed tariffs, fees, charges and levies.

10. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

10.1 After a draft budget as required by the Local Government: Municipal Finance Management Act (MFMA) has been tabled, the Accounting Officer must invite the local community to submit representations for consideration by Council. Such invitation includes the draft resolutions on taxes and tariffs proposed.

10.2 After approval of the annual budget in terms of section 24 of the MFMA, Council will give notice in terms of section 75A of the Act of all tariffs approved at the annual budget meeting and the Municipal Manager shall without delay conspicuously display a copy of the resolution for a period of at least 30 days at the main administrative office of the Municipality and at such other places within the Municipality to which the public has access as the Municipal Manager may determine.

10.3 A notice stating the purpose of the Council Resolution, date on which the new tariffs shall become operational and invitation for objections, will be advertised by the Municipality in terms of section 75A(3)(b) of the Act.

10.4 All tariffs approved must have been considered at the annual budget meeting.

11. IMPLEMENTING AND PHASING IN OF THE POLICY

11.1 The principle contained in this policy will be reflected in the various budget proposals submitted to Council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in Section 75 of the Act.

11.2 Council may determine conditions applicable to a community service of a regulatory nature. These conditions will be reflected in the standing orders of Council.

11.3 Jurisdiction and other differences in tariffs, if applicable, will be phased in over three financial years after the 2012/2013 financial year.

12. PROCEDURES AND ACCOUNTABILITY

12.1 The Accounting Officer shall ensure that procedures to manage all aspects of this policy are prepared in the form of a manual, reviewed regularly and that these are formally adopted by him / her for implementation. These procedures will include aspects in this policy and subscribe to sound principles of internal control.

12.2 The executive manager of a Department shall ensure compliance with the procedures as approved from time to time by the Accounting Officer to give effect to the provisions of this policy.

13. SHORT TITLE

13.1 This policy is the Tariff Policy of Drakenstein Municipality.

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Property Rates Policy

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DRAKENSTEIN MUNICIPALITY

PROPERTY RATES POLICY

1. LEGISLATIVE CONTEXT

1.1 Section 229 of the Constitution of the Republic of South Africa, No 108 of 1996, determines that a municipality may impose rates on property subject to any regulated national legislation.

1.2 Section 2 of the Local Government: Municipal Property Rates Act, No 6 of 2004, determines that a municipality may levy a rate on property in its area subject to:

(a) Section 229 and any other applicable provisions of the Constitution;

(b) The provisions of the Municipal Property Rates Act (MPRA); and

(c) The rates policy it must adopt in terms of section 3.

1.3 Section 3 of the MPRA determines that the council of a municipality must adopt a policy consistent with the MPRA on the levying of rates on rateable property in the municipality.

1.4 Section 4(1)(c)(ii) of the Local Government: Municipal Systems Act, No 32 of 2000, determines that the council of a municipality has the right to finance the affairs of the municipality by imposing, *inter alia*, rates on property.

1.5 Section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, No 56 of 2003, the Municipal Manager must ensure that the municipality has and implements a rates policy.

1.6 This policy must be read together with, and is subject to the stipulations of the MPRA and any regulations promulgated in terms thereof.

2. DEFINITIONS

2.1 ***"Accommodation"*** means accommodation in an accommodation establishment: a room, dwelling-house or second dwelling unit, self-catering room, self-catering apartment or free standing building let to transient guests;

2.2 ***"Accommodation establishments"*** means one or more of the following lettable types of accommodation:

(a) ***"Camping"*** (informal temporary accommodation in a unique environment) is defined by a property used for erection of tents or other temporary structures for temporary accommodation for visitors or holiday-makers, which includes ablution, cooking and other facilities that are reasonably and ordinarily related to camping , for use of such visitors, and includes a caravan park, whether publicly or privately owned, but which excludes the alienation of land on the basis of time sharing, sectional title share blocks or individual subdivision; and excludes resort accommodation or mobile homes;

(b) ***"Bed and breakfast"*** (accommodation in a dwelling-house or second dwelling unit for transient guests) is defined by a dwelling-house or second dwelling in which the owner of the dwelling supplies lodging and meals for compensation to transient guests who have permanent residence elsewhere; provided that the primary use of the dwelling-house concerned shall remain for the living accommodation of a single family;

(c) ***"Guest house"*** (accommodation in a dwelling-house or second dwelling unit for transient guests) is defined by a dwelling-house or second dwelling which is used for the purpose of supplying lodging and meals to transient guests for compensation, in an establishment which exceeds the restrictions of a bed and breakfast establishment and may include business meetings or training sessions for resident guests;

(d) ***"Self-catering accommodation"*** (accommodation for non-permanent residents and transient guests) is defined by a house, cottage, chalet, bungalow, flat, studio, apartment, villa, or similar accommodation where facilities and equipment are provided for guests to cater for themselves. The facilities should be adequate to cater for the maximum advertised number of residents the facility can accommodate;

(e) ***"Self-catering apartments"*** (accommodation for non-permanent residents and transient guests) is defined by a building or group of buildings consisting of separate accommodation units, each incorporating a kitchen facility (fully or partially), and which may include other communal facilities for the use of transient guests, together with outbuildings as are normally used therewith;

which are rented for residential purposes and may include holiday flats; but does not include a hotel, dwelling-house, second dwelling or group house;

(f) ***"Backpackers accommodation"*** (accommodation and communal facilities in a building or free standing buildings for transient guests) is defined by a building where lodging is provided, and may incorporate cooking dining and communal facilities for the use of lodgers, together with such outbuildings as are normally used therewith and includes a building in which dormitories / rooms / beds are rented for residential purposes, youth hostel, and backpackers' lodge; but does not include a hotel, dwelling house, second dwelling or group house; or

(g) ***"Boarding house"*** a dwelling-house or second dwelling which is used for the purpose of supplying lodging with or without meals or self-catering to non-permanent / permanent residents for compensation; provided that the primary use of the dwelling-house shall remain for the living accommodation of a single family.

2.3 *"**Act**"* means the Local Government: Municipal Property Rates Act, No 6 of 2004 (amended 01 July 2015).

2.4 *"**Agent**"*, in relation to the owner of a property, means a person appointed by the owner of the property:

(a) To receive rental or other payments in respect of the property on behalf of the owner; or

(b) To make payments in respect of the property on behalf of the owner.

2.5 *"**Agricultural purpose**"* means a farm or small holding property that is used for the cultivation of soils for purposes of planting and gathering crops; forestry in the context of the planting, growing and sawing-off of trees in a managed and structured fashion; the rearing of livestock and game or the propagation and harvesting of fish; and:

(a) In relation to the use of property, excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game;

(b) In relation to an agricultural unit used for irrigation purposes, includes all irrigation stands being operated by the same farmer as a single agricultural unit in the sole discretion of the Municipality; and

(c) In relation to an agricultural unit used for stock-farming purposes, includes all stock-farms being operated by a farmer as a single agricultural unit in the sole discretion of the Municipality.

2.6 ***"Agricultural property"*** means property that is used primarily for agricultural purposes but, without derogating from section 9, excludes any portion thereof that is used commercially for hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game;

2.7 *"**Annually**"* means once every financial year.

2.8 ***"Business and commercial property"*** means:

(a) Property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or

(b) Property on which the administration of the business of private or public entities take place.

2.9 ***"Category"***

(a) In relation to property, means a category of properties determined in terms of paragraph 6 of this policy; and

(b) In relation to owners of properties, means a category of owners determined in terms of paragraph 7 of this policy.

2.10 ***"Child-headed household"*** means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in terms of section 28(3) of the Constitution.

2.11 ***"Definitions, words and expressions"*** as used in the Act are applicable to this policy document wherever it is used.

2.12 "*Household*" means all persons (registered owner/s, occupier/s, vulnerable person/s or tenant/s) jointly living on a stand or site receiving sanitation, refuse removal, water and/or electricity services that is billed by the Municipality.

2.13 ***"Household income"*** **means the gross sum of all monthly income from all sources including wages, salaries, profits, dividends, pensions, rentals, board & lodging, interest received, grants or investment income and other forms of earnings received by all persons residing on the property.**

2.14 ***"Industrial property"*** means property used for construction, repair, trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity.

2.15 ***"Land reform beneficiary",*** in relation to a property, means a person who -

(a) Acquired the property through -

(i) The Provision of Land and Assistance Act, No 126 of 1993; or

(ii) The Restitution of Land Rights Act, Act No 22 of 1994;

(b) Holds the property subject to the Communal Property Associations Act, No 28 of 1996; and

(c) Holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after this Act has taken effect.

2.16 ***"Land tenure right"*** means a land tenure right as defined in section 1 of the Upgrading of Land Tenure Rights Act, 1991 (Act No 112 of 1991).

2.17 **"*Mining property*"**, means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

2.18 ***"Multiple purposes"*** in relation to a property means the use of a property for more than one purpose, subject to section 9.

(a) The different uses will be grouped into two or more components. The first will be the primary component; the other components (sub-components) will be identified by their generalised functional name.

(b) The category of the primary component of such a property will be directed in the first instance by the permitted use of the property, but at the sole discretion of the Municipality.

2.19 ***"Municipality"*** means the Local Municipality of Drakenstein.

2.20 ***"Newly rateable property"*** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which the Act took effect, excluding:

(a) A property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and

(b) A property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified.

2.21 ***"Officer bearer"*** in relation to places of public worship, means the primary person who officiates at the services at that place of worship.

2.22 ***"Official residence"*** in relation to places of public worship, means –

(a) A portion of the property used for residential purposes; or

(b) one residential property, if the residential property is not located on the same property as the place of public worship,

registered in the name of the religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for the office bearer.

2.23 ***"Owner"***:

(a) In relation to a property referred to in paragraph (a) of the definition of *"property"*, means a person/s in whose name ownership of the property is registered;

(b) In relation to a right referred to in paragraph (b) of the definition of *"property"*, means a person/s in whose name the right is registered;

(c) In relation to a time sharing interest contemplated in the Property Time-Sharing Control Act, 1983 (Act No.75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-Sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984;

(d) In relation to a share in a share block company, the share block company as defined in the Share Block Control Act, 1980 (Act No. 59 of 1980);

(e) In relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit;

(f) In relation to a land tenure right referred to in paragraph (c) of the definition of *"property"*, means a person/s in whose name the right is registered or to whom it was granted in terms of legislation; or

(g) In relation to public service infrastructure referred to in paragraph (d) of the definition of *"property"*, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "publicly controlled":

Provided that a person mentioned below may for the purposes of this Policy be regarded by the Municipality as the owner of a property in the following cases:

(i) A trustee, in the case of a property in a trust excluding state trust land;

(ii) An executor or administrator, in the case of a property in a deceased estate;

(iii) A trustee or liquidator, in the case of a property in an insolvent estate;

(iv) A judicial manager, in the case of a property in the estate of a person under curatorship;

(v) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;

(vi) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it;

(vii) A buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer; or

(viii) A lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right.

2.24 ***"Place of public worship"*** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is –

(a) Registered in the name of the religious community;

(b) Registered in the name of a trust established for the sole benefit of a religious community or:

(c) Subject to a land tenure right.

2.25 ***"Privately owned towns serviced by the owner"*** means single properties, situated in an area not ordinarily being serviced by the Municipality, divided through sub-division or township establishment into (ten or more) full title stands and / or sectional units and where all rates-related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreational facilities are installed at the full cost of the developer and maintained and rendered by the residents, home owners association or management companies / bodies of such estate.

2.26 ***"Property"*** means:

(a) Immovable property registered in the name of a person/s, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person/s;

(b) A right registered against immovable property in the name of a person/s, excluding a mortgage bond registered against the property;

(c) A land tenure right registered in the name of a person/s or granted to a person/s in terms of legislation; or

(d) Public service infrastructure.

2.27 ***"Public service infrastructure"*** means publicly controlled infrastructure of the following kinds:

(a) National, provincial or other public roads on which goods, services or labour move across a municipal boundary;

(b) Water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;

(c) Power stations, power substations or power lines forming part of an electricity scheme serving the public;

(d) Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;

(e) Railway lines forming part of a national railway system;

(f) Communication towers, masts, exchanges or lines forming part of a communications system serving the public;

(g) Runways, aprons and the air traffic control unit at national or provincial airports, including the vacant land known as the obstacle free zone surrounding these, which must be vacant for air navigation purposes;

(h) Breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;

(i) Any other publicly controlled infrastructure as may be prescribed; or

(j) Rights of way, easements or servitudes in connection with infrastructure mentioned in sub-paragraphs (a) to (i) above.

2.28 ***"Public service purposes"*** in relation to the use of a property, means property owned and used by the state as -

(a) Hospitals or clinics;

(b) Schools, pre-schools, early childhood development centres or further education and training colleges;

(c) National and provincial libraries and archives;

(d) Police stations;

(e) Correctional facilities; or

(f) Courts of law,

but excludes property contemplated in the definition of "public service infrastructure".

2.29 ***"Ratio"*** in relation to section 19 of the Act, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties:

2.30 ***"Residential property"*** means a property included in a valuation roll in terms of section 48(2)(b) of the Act in respect of which the primary use or permitted use is for residential purposes without derogating from section 9. For more clarity residential property in this policy will refer to improved property (structural improvements) that:

(a) Is used predominantly for residential purposes including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes;

(b) Is a unit registered in terms of the Sectional Title Act and used predominantly for residential purposes;

(c) Is owned by a share-block company and used solely for residential purposes;

(d) Is a residence used for residential purposes situated on property used for or that is related to educational purposes;

(e) Is property which is included as residential in a valuation roll in terms of section 48(2)(b) of the Act;

(f) Is retirement schemes and life right schemes used predominantly (60% or more) for residential purposes;

(g) All residential properties with more than one use, irrespective of its zoning, will be multi purposed by the valuer to enable Council to levy the correct property rates levy on the intended use.

2.31 ***"Rural communal settlements"*** means the residual portion of rural communal land excluding identifiable and rateable entities within the property and excluding State Trust Land and land reform beneficiaries as defined in the Act.

2.32 ***"Sport property"*** means property (grass or other surfaces sport fields as well as clubhouses) predominantly used for amateur sporting activities.

2.33 ***"State trust land"*** means land owned by the state:

(a) In trust for persons communally inhabiting the land in terms of a traditional system of land tenure;

(b) Over which land tenure rights were registered or granted; or

(c) Which is earmarked for disposal in terms of the Restitution of Land Rights Act, No 22 of 1994.

2.34 ***"Wind Farms"*** means an area of land with a group of energy-producing windmills or wind turbines.

3. OBJECTIVES OF THE POLICY

3.1 The objectives of this policy are: –

(a) To comply with the provisions of section 3 of the Act;

(b) To determine criteria to be applied for:

(i) Levying different property rates for different property or categories or sub-categories as determined in terms of section 8 of the Act;

(ii) Exemptions;

(iii) Reductions;

(iv) Rebates; and

(v) Rate increases or decreases;

(c) To determine or provide criteria for the determination of:

(i) Categories of properties or sub-categories for the purpose of levying different property rates; and

(ii) Categories of owners of properties or categories of properties or sub-categories for the purpose of granting exemptions, rebates and reductions;

(d) To determine how the Municipality's powers should be exercised in terms of multiple-used properties;

(e) To identify and quantify the following for the Municipality in terms of cost and the benefit to the community:

(i) Exemptions, rebates and reductions;

(ii) Exclusions; and

(iii) Rates on properties that must be phased in;

(f) To take into account the effect of property rates on the poor;

(g) To take into account the effect of property rates on organisations that perform activities for public benefit activities;

(h) To take into account the effect of property rates on public services infrastructure;

(i) To determine measures to promote local economic and social development;

(j) To identify all rateable revenue not being rated; and

(k) In respect of agricultural property, give effect to the regulations promulgated in terms of section 83 and 19(1)(b) of the Act.

3.2 It needs to be noted that Council has until the 2021/2022 financial year to fully comply with the implementation of section 8 of the Act. Section 8 deals with the application of differential rates on different categories or sub-categories of properties.

4. POLICY PRINCIPLES

4.1 Property rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the Municipality's valuation roll and supplementary valuation roll.

4.2 As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property as contemplated in paragraph 6 and 7 of this policy. Some categories of property and categories of owners are granted relief from rates. The Municipality however does not grant relief in respect of payments of property rates to any category of owners or properties, or to owners of properties on an individual basis.

4.3 There shall be no phasing in of property rates based on the new valuation roll, except as prescribed by legislation and in accordance with paragraph 15 of this policy.

4.4 In accordance with section 3(3) of the Act, the property rates policy for the Municipality is based on the following principles:

(a) <u>Equity</u>

The Municipality will treat all ratepayers with similar properties the same.

(b) <u>Affordability</u>

The ability of a person to pay rates will be taken into account by the Municipality. In dealing with the poor / indigent ratepayers the Municipality will provide relief measures through exemptions, reductions, rebates and cross subsidy from the equitable share allocation.

(c) Sustainability

Rating of property will be implemented in a way that:

(i) It supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the Municipality;

(ii) Supports local, social and economic development; and

(iii) Secures the economic sustainability of every category of ratepayer.

(d) Cost efficiency

Property rates will be based on the value of all rateable property and will be used to fund community and subsidised services after taking into account any profits generated on trading services (water and electricity) as well as economic services (refuse removal and sanitation) and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the Municipality from time to time.

5. CLASSIFICATION OF SERVICES

5.1 The City Manager or his / her delegated official must, subject to the guidelines provided by National Treasury and the Municipal Council of the Municipality, through the Municipality's Tariff Policy make provision for the following classification of services:

(a) Trading services

(i) Water.

(ii) Electricity.

(b) Economic services

(i) Refuse removal.

(ii) Sanitation.

(c) Community and subsidised services

These include all those services ordinarily being rendered by the Municipality excluding those mentioned in subparagraph 5.1(a) and (b) above.

5.2 Trading and economic services as referred to in paragraph 5.1(a) and (b) must be ring fenced and financed from service charges while community and subsidised services referred to in paragraph 5.1(c) will be financed from surpluses on trading and economic services, regulatory fees, rates and rates related income.

6. CATEGORIES OF PROPERTY

6.1 Subject to section 19 of the Act, Drakenstein Municipality may, in terms of the criteria set out in its property rates policy, levy different property rates for different categories of rateable properties, which may include categories determined according to:

(a) The use of the property;

(b) The permitted use of the property;

(c) The geographical area in which the property is situated; or

(d) A combination of (a) and (b) that will have to be phased in by the 2021/2022 financial year.

6.2 Categories of rateable property that may be determined in terms of paragraph 6.1 above include the following:

(a) Residential improved property;

(b) Property that is vacant (empty stands) with zoning or proposed use earmarked for residential property;

(c) Property that is vacant (empty stands) with zoning or proposed use earmarked for industrial, business or commercial;

(d) Industrial property;

(e) Business and commercial property;

(f) Farm property used for:

(i) Agricultural purposes;

(ii) Industrial purposes;

(iii) Commercial or business purposes;

(iv) Residential purposes; or

(v) Purposes other than those specified in subparagraphs (i) to (iv);

(g) Mining properties;

(h) Farm property not used for any purpose;

(i) Small holdings used for:

(i) Agricultural purposes;

(ii) Industrial purposes;

(iii) Commercial or business purposes;

(iv) Residential purposes; or

(v) Purposes other than those specified in subparagraphs (i) to (iv);

(j) Properties owned by an organ of state and used for public service purposes;

(k) State owned property;

(l) Municipal property;

(m) Public service infrastructure as referred to in the Act;

(n) Properties owned by public benefit organisations and used for specified public benefit activities;

(o) Property:

(i) Acquired through the Provision of Land and Assistance Act, No 126 of 1993, or the Restitution of Land Rights Act, No 22 of 1994; or

(ii) Which is subject to the Communal Property Associations Act, No 28 of 1996;

(p) Protected areas;

(q) Property owned by the following public benefit organisations used for the corresponding public benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax Act, No 58 of 1962 (also refer to paragraph 10.4 of this policy):

(i) Welfare and humanitarian organisations;

(ii) Cultural organisations;

(iii) Sporting organisations;

(iv) Conservation, environmental and animal welfare organisations;

(v) Health care organisations; and

(vi) Education and development;

(r) Amateur sport property not listed in subparagraph (r)(iii) above;

(s) Professional sport property;

(t) Property used for multiple purpose, subject to section 9 of the Act;

(u) Accommodation establishments:

(i) In urban areas; and

(ii) In rural (farm and small holding) areas;

(v) Private open space;

(w) Conservation areas;

(x) Property on which national monuments are proclaimed;

(y) Privately owned towns; and

(z) Any other category of property as may be determined by the Minister, with the concurrence of the Minister of Finance, by notice in the Gazette.

6.3 In addition to the above categories of rateable property determines in terms of section 8(2) of the Act, a municipality may determine additional categories of rateable property, including vacant land: Provided that, with the exception of vacant land, the determination of such property categories does not circumvent the categories of rateable property that must be determined in terms of section 8(2) of the Act.

6.4 Where a municipality can, on good cause, show that there is a need to sub-categorise the property categories listed in section 8(2) of the Act, a municipality may apply to the Minister in writing for authorisation to create one or more of such sub categories.

6.5 The above provisions must be applied within seven years from 1 July 2015 in terms of section 93B of the Act.

6.6 In determining the category or sub-category of a property referred to in paragraph 6.2 above the Municipality shall take into consideration the dominant use of the property, regardless the formal zoning of the property.

6.7 Properties used for multiple purposes shall be categorised and rated as provided for in section 9 of the Act and as more fully described in paragraph 8 of this policy.

7. CATEGORIES OF OWNERS

7.1 For the purpose of granting exemptions, reductions and rebates in terms of paragraph 10, 11 and 12 of this policy the following categories of owners of properties shall be determined:-

(a) Those owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the Municipality;

(b) Those owners who do not qualify as indigents in terms of the adopted indigent policy of the Municipality but whose total monthly income is less than an amount annually determined by the Municipality in its budget;

(c) Owners of property situated within an area affected by:

(i) A disaster within the meaning of the Disaster Management Act, No 57 of 2002; or

(ii) Serious adverse social or economic conditions;

(d) Owners of residential properties with a market value below the amount as determined annually by the Municipality in its budget;

(e) Owners of properties situated in "privately owned towns" as referred to in paragraph 12.1.2 of this policy;

(f) Owners of agricultural properties as referred to in paragraph 12.1.3 and 12.1.4; and

(g) Child headed families where any child of the owner or child who is a blood relative of the owner of the property, is responsible for the care of siblings or parents of the household.

(h) Owners of business, commercial and industrial properties as referred to in paragraph 12.1.1 of this policy.

8. MULTI PURPOSE USE OF PROPERTIES

8.1 Properties used for multiple purposes which for example do not fall within the definition of residential properties and, accordingly, do not qualify for the residential rate, may be included into the category of multiple-use properties, as per section 9(1)(c) of the Act, for which an apportionment of value for each distinct use of the property, irrespective of its zoning rights, will be calculated by the municipal valuer and used for billing at the appropriate and applicable rate.

8.2 All properties in Drakenstein Municipality with more than one use, irrespective of its zoning rights, will be multiple purposed by the municipal valuer.

9. DIFFERENTIAL RATING

9.1 Criteria for differential rating on different categories of properties in terms of section 8(1) of the Act will be according to:

(a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes; and

(b) The promotion of local, social and economic development within the Municipality.

9.2 Differential rating among the various property categories will be done by way of:

(a) Setting a different cent amount in the rand for each property category or sub-category; and

(b) By way of reductions and rebates as provided for in this policy document.

10. EXEMPTIONS AND IMPERMISSIBLE RATES

10.1 The following categories of property are exempted from rates:-

(a) Municipal properties

Municipal properties are exempted from paying property rates as it will increase the rates burden or service charges to property owners or consumers. However, where municipal properties are leased, the lessee will be responsible for the payment of the determined property rates in accordance with the lease agreement.

(b) Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying property rates. From the 2019/2020 financial year the maximum reduction is determined as R 180,000. The impermissible rates of R 15,000 contemplated in terms of section 17(1)(h) of the Act is included in the amount referred to above as annually determined by the municipality. The remaining R 165,000 is an important part of the council's indigent policy and is aimed primarily at alleviating poverty.

(c) Private Open Spaces

All private open spaces are exempted from the levying of rates.

(d) Public benefit organisations (PBO's)

(i) Taking into account the effects of property rates on PBO's performing a specific public benefit activity and if registered in terms of Part 1 of the Ninth Schedule to the Income Tax Act, No 58 of 1962, for tax reduction because of those activities, PBO's may apply for the exemption of paying property rates. PBO's may include, *inter alia*:-

(aa) Welfare and humanitarian (charitable) organisations;

(bb) Cultural organisations (museums, libraries, art galleries and botanical gardens);

(cc) Sporting organisations (non-professional);

(dd) Conservation, environmental and animal welfare organisations;

(ee) Health care organisations; and

(ff) Education and development.

(ii) All possible benefiting organisations in paragraph 10.4 must apply initially for exemptions. All applications must be addressed in writing to the Municipality by 31 August for the financial year in respect of which the rate is levied for the first time. If the exemption applied for is granted the exemption will apply for the full financial year till there is a usage or ownership change.

(iii) Public benefit organisations must attach a SARS tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962) to all applications.

(iv) The Municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

(v) The extent of the exemptions implemented in terms of paragraph 10.1 to 10.4 must annually be determined by the municipality and included in the annual budget.

(vi) Exemptions in paragraph 10.1, 10.2 and 10.3 will automatically apply and no application is thus required. Exemptions in terms of paragraph 10.4 require an initial application where after it will be applied automatically.

11. REDUCTIONS

11.1 Reductions as contemplated in section 15 of the Act will be considered on an *ad hoc* basis in the event of the following:

(a) Partial or total destruction of a property; and

(b) Disasters as defined in the Disaster Management Act, No 57 of 2002.

11.2 The following conditions shall be applicable in respect of paragraph 11.1:

(a) The owner referred to in clause 11.1(a) shall apply in writing for a reduction and the onus will rest on such applicant to prove to the satisfaction of the Municipality that the property has been totally or partially destroyed. He / she will also have to indicate to what extent the property can still be used and the impact on the value of the property. The reduction in property rates will only be considered after the municipality has been supplied with a demolition certificate, demolition invoice or proof of destruction e.g. fire brigade report, photos etc.

(b) Property owners will only qualify for a reduction if affected by a disaster as referred to in the Disaster Management Act, No 57 of 2002.

(c) A maximum reduction that may be determined on an annual basis shall be allowed in respect of both clauses 11.1(a) and 11.1(b). From the 2019/2020 financial year the maximum reduction is determined as 80% and remains the same until re-determined by Council.

(d) An *ad-hoc* reduction as stipulated in paragraph 11.1 a and b will not be given for a period in excess of 3 months, unless the Municipality gives further extension on application.

(e) If property rates were paid in advance prior to granting of a reduction the Municipality will give credit to such an owner as from the date of reduction until the date of lapse of the reduction or the end of the period for which payment was made whichever occurs first.

12. REBATES

12.1. Categories of property

12.1.1 Business, commercial and industrial properties

(a) The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction. The following criteria will apply:

(i) Job creation in the municipal area;

(ii) Social upliftment of the local community; and

(iii) Creation of infrastructure for the benefit of the community;

(b) A maximum rebate as annually determined by the Municipality will be granted on approval, subject to:

(i) A business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;

(ii) A continuation plan issued by the directors and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives; and

(iii) An assessment by the Municipal Manager or his / her nominee indicating that the company qualifies; and

(c) All applications must be addressed in writing to the municipality for the financial year in respect of which the property rates is levied. If the rebate applied for is granted the rebate will apply from the date of receipt of the application.

(d) The maximum rebate determined for qualifying businesses will be determined in terms of the approved Investment Incentive Policy for the 2019/2020 financial year and onwards.

12.1.2 Privately owned towns serviced by the owner

(a) The Municipality grants an additional rebate, to be determined on an annual basis, which applies to privately owned towns serviced by the owner qualifying as defined in paragraph 2.17 of this policy.

(b) An additional rebate (based on the total property value) of a maximum of 15% will be granted by the municipality in respect of the following:

(i) 5% if the owner maintains all rates-related services as defined in paragraph 2.17 of this policy;

(ii) 5% if the owner renders a full refuse removal service; and

(iii) 5% if the owner renders a full sanitation service.

The category Privately Owned Towns is to be phased out by the 2021/2022 financial year due the amendment in section 8 of the Municipal Property Act, No 6 of 2004.

(c) The granting of additional rebates is subject to the following:

(i) All applications must be addressed in writing to the Municipality indicating how service delivery and development obligations of the Municipality were met. This application will be required as a once off requirement. Any new applications for the 2019/2020 financial year and onwards must be addressed in writing to the municipality for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply from the date of receipt of such application again regarded as a once off requirement. Home owners associations or management companies / body corporates of "privately owned towns" may apply as a collective for the additional rebates. These rebates are over and above the R 180,000 exemption on residential properties referred to in paragraph 10.2 of this policy.

(ii) Council reserves the right to send officials or its agents to premises / households receiving relief on annual basis for the purpose of conducting

an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original application.

(iii) The Municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

(d) The rebate of 16.8% will not be applicable on any sport property within privately owned towns. Sport property used for amateur or professional purposes will be dealt with as per paragraph 12.2.5 and 12.2.6 below.

12.1.3 Agricultural property rebate

(a) When considering the criteria to be applied in respect of any exemptions, rebates and reductions on any properties used for agricultural purposes the Municipality must take into account:

(i) The extent of rates related services rendered by the Municipality in respect of such properties;

(ii) The contribution of agriculture to the local economy;

(iii) The extent to which agriculture assists in meeting the service delivery and developmental objectives of the Municipality; and

(iv) The contribution of agriculture to the social and economic welfare of farm workers.

(b) In terms of section 84 of the Act the Minister for Provincial and Local Government, and in concurrence with the Minister of Finance as required through section 19 of the Act, may determine that a rate levied by the Council on a category of non-residential property may not exceed the ratio to the rate on residential property. In the absence of any such promulgation the municipality will apply the standard ratio for agricultural properties as 1:0.25 (75% “rebate” on the tariff for residential properties). Since the 2009/2010 financial year the minister has promulgated a ratio of 1:0.25.

(c) An additional rebate (based on the total property value) of a maximum of 10% will be granted by the municipality in respect of the following:

(i) 2.5% for the provision of accommodation in a permanent structure to farm

workers and their dependents or families;

(ii) 2.5% if these residential properties are provided with potable water;

(iii) 2.5% if the residential properties of the farm workers are electrified; and

(iv) 2.5% for the provision of land for burial of own farm workers or for educational and / or recreational purposes to own farm workers as well as for workers from surrounding farms.

(e) The granting of additional rebates is subject to the following:

(i) All applications must be addressed in writing to the Municipality indicating how service delivery and development obligations of the Municipality and contribution to the social and economic welfare of farm workers were met. If the rebate applied for is granted the rebate will apply from the date of receipt of such application and will be regarded as a once off requirement.

(ii) Council reserves the right to send officials or its agents to premises/ households receiving relief on annual basis for the purpose of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original application.

(iii) The Municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

(e) No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate exemption as set out in paragraph 10.2 of this policy.

12.1.4 Small Holdings in rural areas

(a) The Municipality grants an additional rebate, to be determined on an annual basis, which applies to residential properties on farms, small holdings and in rural areas serviced by the owner.

(b) An additional rebate (based on the total property value) of a maximum of 22.5% will be granted by the municipality in respect of the following:

(i) 7.5% if the owner renders a full water service;

(ii) 7.5% if the owner renders a full refuse removal service; and

(iii) 7.5% if the owner renders a full sanitation service.

The rebate percentage has been left unchanged, the municipality will apply to the MEC in terms of section 8(4)(a) of the Municipal Property Rates Act No.6 of 2004 as amended to add small holdings in rural areas as a sub category under the residential category.

(c) An additional rebate for disabled persons (based on the total property value) of a maximum of 7.5% will be granted by the municipality in respect of the following:

(i) 2.5% if the owner renders a full water service;

(ii) 2.5% if the owner renders a full refuse removal service: and

(iii) 2.5% if the owner renders a full sanitation service.

(d) The granting of additional rebates is subject to the following:

(i) All applications must be addressed in writing to the Municipality indicating how service delivery and development obligations of the Municipality were met. This application will be required as a once off requirement. Any new applications for the 2019/2020 financial year and onwards must be addressed in writing to the municipality for the financial year in respect of which the rate is levied. If the rebate applied for is granted, the rebate will apply from the date of receipt of such application ~~again~~ and will be regarded as a once off requirement. These rebates are over and above the R180,000-exemption on residential properties referred to in paragraph 10.2 of this policy.

(ii) Council reserves the right to send officials or its agents to premises/households receiving relief on annual basis for the purpose of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original application.

(iii) The Municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

12.2 Categories of owners

12.2.1 Indigent owners

(a) Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the Municipality, regardless of the value of the property, ~~may~~ **will** receive a ~~100%~~ rebate **of up to a property value of R500,000** from payment of property rates.

(b) An indigent household who stays on a property of a deceased owner / relative can apply for such rebate from payment of property rates while the process of transferring of ownership takes place.

12.2.2 Child headed families

(a) Families headed by children shall receive a 100% rebate from paying property rates, according to monthly household income, subject to the provisions listed below. To qualify for this rebate the head of the family must:

(i) Occupy the property as his / her normal residence;

(ii) Not be older than 18 years of age;

(iii) Still be a scholar or jobless; and

(iv) Be in receipt of a total monthly income from all social grant resources not exceeding an amount to be determined annually by the Municipality. For the 2019/2020 financial year starting at 01 July 2019 this amount is determined as two times the social grant (R1,780 x 2) = R3,560 as per the 2019 budget speech by the Minister of Finance) paid by National Government plus 25% (R3,560 + R890) = R4,450 per month.

(b) The family head must apply on the prescribed application form for registration as a child headed household and must be assisted by the Municipality with completion of the application form. If qualifying, this rebate will automatically apply and no further application is thus required.

12.2.3 ~~Retired and disabled persons~~ **Households eligible for financial assistance**

(a) ~~Retired and disabled persons,~~ **Households eligible for financial assistance** ~~not registered as indigents~~, qualify for ~~special~~ rebates according to monthly household income. To qualify for the rebate a property owner must:

(i) Occupy the property as his / her normal residence;

(ii) ~~Be at least 60 years of age or in receipt of a disability pension.~~

(iii) Be in receipt of a total monthly **household** income from all sources as annually determined by the Municipality (~~including income of spouses of owner~~);

(iv) If you are the owner of more than one property, the rebate will only be granted for the property that is occupied by the applicant; and

(v) Provided that where the owner is unable to occupy the property due to no fault of his / her own, the spouse or minor children may satisfy the occupancy requirement.

(b) Property owners must apply on the prescribed application form for a rebate as determined by the Municipality. Applications must be accompanied by:

(i) A certified copy of the identity document or any other proof of the owner's age which is acceptable to the Municipality;

(ii) Sufficient proof of income of the owner and his / her spouse;

(iii) An affidavit from the owner;

(iv) If the owner is a disabled person proof of a disability pension payable by the state must be supplied; and

(v) If the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.

(c) All applications must be addressed in writing to the Municipality for the financial year in respect of which the rate is levied. If the rebate applied for is granted the

rebate will apply from the date of receipt of the application. For the 2019/2020 financial year the total monthly income and corresponding rebate is determined as follows:

(i) **Category A**: R 0 to R4,450 per month - 100% of indigent support;

(ii) **Category B**: R4,451 to R4,950 per month - 80% of indigent support;

(iii) **Category C**: R4,951 to R6,200 per month - 50% of indigent support; and

(iv) **Category D**: R6,201 to R6,500 per month - 20% of indigent support.

(d) The Municipality retains the right to refuse the rebates if the details supplied in the application form were incomplete, incorrect or false.

12.2.4 Retired persons seventy (70) years and older

(a) Retired persons seventy years and older, who do not qualify for any other rebates as per the Category of Properties (Paragraph 12.1 of this Policy) or Category of Owners (Paragraph 12.2 of this Policy), qualify for special rebates according to their pensioner and age status. To qualify for the rebate a property owner must:

(i) Occupy the property as his / her normal residence;

(ii) Be at least 70 years of age as the breadwinner;

(iii) Be in receipt of a monthly pension as the only source of income except that interest on investments will be allowed and must be declared that may not exceed 25% of the pension income; and

(iv) Not be the owner of more than one property in Drakenstein.

(b) Property owners must apply on the prescribed application form for a rebate as determined by the Municipality. Applications must be accompanied by:

(i) A certified copy of the identity document or any other proof of the owner's age which is acceptable to the Municipality;

(ii) Sufficient proof of income of the owner and his / her spouse; and

(iii) An affidavit from the owner.

(c) All applications must be addressed in writing to the Municipality for the financial year in respect of which the rate is levied. Any new applications for the ~~2019~~/2020 financial year and onwards must be addressed in writing to the municipality for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply from the date of receipt of such application and will be regarded as a once off requirement. These rebates are over and above the R180,000 exemption on residential properties referred to in paragraph 10.2 of this policy.

(d) An additional rebate (based on the total property value) of a maximum of 10 % will be granted by the Municipality for the 2019/2020 financial year.

(e) The Municipality retains the right to refuse the rebates if the details supplied in the application form were incomplete, incorrect or false.

12.2.5 State-owned properties

The Municipality shall grant a 20% rebate on the property rates levied for state-owned properties.

12.2.6 Amateur sporting organisations

(a) The Municipality shall grant a rebate of 75% on the property rates levied for sport fields with grass or any other surfaces owned by amateur sporting organisations. This will also be applicable on sport fields located in privately owned towns.

(b) The Municipality shall grant a rebate of 25% on the property rates levied for the clubhouse, restaurant and other facilities associated with the sporting activities. This will also be applicable to similar facilities associated with sporting activities in privately owned towns.

12.2.7 Professional sporting organisations

(a) The Municipality may, on application by a professional sporting organisation, grant a rebate on the property rates levied on property owned by professional sporting organisations.

(b) Such an application must be accompanied with the latest audited set of financial statements and the audit report issued in terms of the South African Accounting Standards.

(c) For the 2019/2020 financial year a maximum rebate of 10% on property rates levied is determined, subject to Council's approval of the application submitted by the professional sporting organisation.

12.3 The extent of the rebates granted in terms of paragraphs 12.1 and 12.2 must annually be determined by the Municipality and included in the annual budget.

13. IMPERMISSIBLE RATES

13.1 In terms of section 17(1) of the Act the Municipality may, *inter alia*, not levy a rate:

(a) On any property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of 'public service infrastructure'.

(b) On those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, No 57 of 2003, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, business, or residential agricultural purposes;

(c) On mining rights or a mining permit within the meaning of the Mineral and Petroleum Resource Development Act, 2002 (Act No. 28 of 2002), excluding any building, other immovable structures and infrastructure above the surface of the mining property required for the purposes of mining;

(d) On a property belonging to a land reform beneficiary or his or her heirs, dependants or spouse provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds or upon alienation of the property by the land reform beneficiary or his or heirs, dependants or spouse; and

(e) On a property registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community which is occupied by the office-bearer of that community who officiates at services at that place of worship.

14. PAYMENT OF RATES

14.1 The property rates levied on properties shall be payable:

(a) On a monthly basis; or

(b) Annually, before 15 October each year.

14.2 Ratepayers may choose paying rates annually in one instalment on or before 15 October each year. If the owner of property that is subject to property rates, notify the Municipal Manager or his / her nominee in writing by not later than 30 June in any financial year, or such later date in such financial year as may be determined by the Municipality that he / she wishes to pay all rates annually, such owner shall be entitled to pay all properties rates in the subsequent financial year and each subsequent financial year annually until such notice is withdrawn by him / her in a similar manner.

14.3 The Municipality shall determine the due dates for payments in monthly instalments and the single annual payment and this date shall appear on the accounts forwarded to the owner / tenant / occupants / agent.

14.4 Rates payable on an annual basis will be subject to a discount of 5% if paid in full on or before 15 August of each year. The owner shall apply for such discount.

14.5 Interest on arrear property rates, whether payable on or before 15 October or in equal monthly instalments, shall be calculated in accordance with the provisions of the credit control and debt collection policy of the Municipality.

14.6 If a property owner who is responsible for the payment of property rates in terms of this policy fails to pay such rates in the prescribed manner, it will be recovered from him / her in accordance with the provisions of the credit control and debt collection by-law of the Municipality.

14.7 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act and the Municipality's credit control and debt collection by-law.

14.8 Where the property rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the Municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the property rates

payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which property rates were first levied in terms of the current valuation roll.

14.9 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted property rates payable shall be levied at the maximum rate permitted by prevailing legislation.

15. ACCOUNTS TO BE FURNISHED

15.1 The Municipality will furnish each person liable for the payment of property rates with a written account, which will specify:

(a) The amount due for property rates payable;

(b) The date on or before which the amount is payable;

(c) How the amount was calculated;

(d) The market value of the property, and

(e) Rebates, exemptions, reductions or phasing-in, if applicable.

15.2 A person liable for the payment of property rates must furnish the municipality with an address where correspondence can be directed to.

15.3 A person liable for payment of property rates remains liable for such payment, whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, he / she must make the necessary enquiries with the Municipality.

15.4 In the case of joint ownership the Municipality shall consistently, in order to minimise costs and unnecessary administration, recover rates from one of the joint owners only provided that it takes place with the consent of the owners concerned.

15.5 When an owner's rates account is in arrears for longer than 90 (ninety) days, then the Municipality may initiate the proceedings as described in Sections 28 or 29 of the MPRA. A notice to this effect will be forwarded to the tenant, occupier or agent providing the required legal information regarding their payments to the owner, which

are to be redirected to the municipality so as to cover the arrear rates account. A notice will be forwarded to the owner in question to indicate the legal proceedings and the actions that the municipality has initiated.

16. RATES CLEARANCE CERTIFICATES

16.1 The municipality shall issue a rates clearance certificate in terms of Section 118(1) of the Local Government: Municipal Systems Act 2000 (Act no 32 of 2000), after payment of the subscribed administration fee, and once the rates and services is paid 2 months (60 days) in advance in order to facilitate the transfer of immovable property.

16.2 Rates clearance certificates has a validity of 60 days from the date it has been issued, in terms of Section 118(1) (b) of the Local Government: Municipal Systems Act 2000 (Act no 32 of 2000).

16.3 All debt is deemed to be collectable by the municipality in terms of Section 118(3) of the Systems Act. The municipality retains the right to collect debt from a previous owner despite the issuance of a clearance certificate or registration of the transfer of the property in the name of a new owner. After registration of the transfer the outstanding debt of the previous owner may not be collected from the new owner.

16.4 No interest shall be paid by the municipality to the registered seller in respect of these payments which are deemed to be due.

16.5 According to Section 102 of the Systems Act (Act 32 of 2000), a Municipality may:

(a) Consolidate any separate accounts of persons liable for payments to the municipality;
(b) Credit a payment by such a person against any accounts/s of that person; and
(c) Implement any of the debt collection and credit control measures to any arrears on any account/s of that person.

16.6 All credit amounts will firstly be allocated as per above

17. CREDIT REFUNDS

17.1 All payments will be allocated to the registered seller's municipal account.

17.2 All refunds will be made according to the conveyancer's instruction.

17.3 Refunds will only be issued on written request or an application for refund by the conveyancer.

17.4 For cost benefit purposes only refunds above an amount of R300.00 will be refunded as per the above criteria.

18 PHASING IN OF RATES

18.1 The property rates to be levied on newly rateable property shall be phased in as explicitly provided for in section 21 of the Act.

18.2 The phasing–in discount on the properties referred to in section 21 shall be as follows:-

(a) First year : 75% of the relevant rate;

(b) Second year : 50% of the relevant rate; and

(c) Third year : 25% of the relevant rate.

18.3 No property rates on newly rateable properties that are owned and used by organisations conducting activities that are beneficial to the public and that are registered in terms of the Income Tax Act for those activities, shall be payable during the first year. The phasing-in discount on these properties shall be as indicated below:

(a) First year : 100% of the relevant rate;

(b) Second year : 75% of the relevant rate;

(c) Third year : 50% of the relevant rate; and

(d) Fourth year : 25% of the relevant rate.

19. SPECIAL RATING AREAS

19.1 The municipality will, whenever deemed necessary, by means of a formal Council resolution determine special rating areas in consultation with the relevant communities as provided for in section 22 of the Act.

19.2 The following matters shall be attended to in consultation with the committee referred to in paragraph 16.3 whenever special rating is being considered:

(a) Prosed boundaries of the special rating area;

(b) Statistical data of the area concerned giving a comprehensive picture of the number of erven with its zoning, services being rendered and detail of services such as capacity, number of vacant erven and services that are not rendered;

(c) Proposed improvements clearly indicating the estimated costs of each individual improvement;

(d) Proposed financing of the improvements or projects;

(e) Priority of projects if more than one;

(f) Social economic factors of the relevant community;

(g) Different categories or sub-categories of property;

(h) The amount of the proposed special rating;

(i) Details regarding the implementation of the special rating; and

(j) The additional income that will be generated by means of this special rating.

19.3 A committee consisting of 6 members of the community residing within the area affected will be established to advise and consult the Municipality in regard to the proposed special rating referred to above. This committee will be elected by the inhabitants of the area concerned who are 18 years of age or older. No person under the age of 18 may be elected to serve on the committee. The election of the committee will happen under the guidance of the Municipal Manager. The committee will serve in an advisory capacity only and will have no decisive powers.

19.4 The required consent of the relevant community shall be obtained in writing or by means of a formal voting process under the chairmanship of the Municipal Manager. A majority shall be regarded as 50% plus one of the households affected. Each relevant household within the special rating area, i.e. every receiver of a monthly municipal account, will have 1 vote only.

19.5 In determining the special additional rates the Municipality shall differentiate between different categories as referred to in paragraph 6 of this policy.

19.6 The additional property rates levied shall be utilised for the purpose of improving or upgrading of the specific area only and not for any other purposes whatsoever.

19.7 The Municipality shall establish separate accounting and other record-keeping systems for the identified area and the households concerned shall be kept informed of progress with projects and financial implications on an annual basis.

20. FREQUENCY OF VALUATION

20.1 The Municipality shall prepare a new valuation roll at least every **4** (four) years.

20.2 In accordance with the Act the Municipality, under exceptional circumstances, may request the MEC for Local Government and Housing in the province to extend the validity of the valuation roll to 5 (five) years.

20.3 Supplementary valuations may be done on a continual basis but at least published once an annual basis in terms section 78 of the Municipal Property Rates Act 6 of 20014 as amended by Act 29 of 2014.

20.4 In the event that a property has been transferred to a new owner and rates emanating from a supplementary valuation become due and payable, the new owner will be held responsible from the date of registration.

21. OBJECTION AND APPEALS

21.1 Any person may lodge an objection to a valuation subject to Section 50 of the MPRA but within the period stated in the notice referred to in Section 49(1)(a) of the MPRA.

21.2 An appeal to an appeal board against a decision of a municipal valuer in terms of section 51 of the MPRA may be lodged in the prescribed manner subject to Section 54 of the MPRA. The appeal must be lodged (as a guideline), within a period of 30 days nonetheless, as set out in Section 54(2) of the MPRA.

21.3 The administrative actions or processes as described in the MPRA for the handling of objections or appeals will be the basis that the Municipality will follow.

21.4 The lodging of an objection or appeal:

(a) In terms of Section 50 of the MPRA does not defer liability for the payment of rates in terms of this Policy; or

(b) In terms of Section 54 of the MPRA does not defer liability for the payment of rates in terms of this Policy.

22. COMMUNITY PARTICIPATION

22.1 Before the Municipality adopts the property rates policy, the Municipal Manager will follow the process of community participation as envisaged in chapter 4 of the Municipal Systems Act and comply with the following requirements:

(a) Council must establish appropriate mechanisms, processes and procedures to enable the local community to participate and will, if needed, provide for consultative sessions with locally recognised community organisations and where appropriate traditional authorities;

(b) Conspicuously display the draft property rates policy for a period of at least 30 days at the Municipality's head and satellite offices, libraries and on the website;

(c) Advertise in the media a notice stating that the draft property rates policy has been prepared for submission to Council and that such policy is available at the various municipal offices and on the website for public inspection;

(d) Property owners and interest persons may obtain a copy of the draft property rates policy from the municipal offices during office hours at a fee as determined by Council as part of its annual tariffs. Property owners and interest persons are invited to submit written comments or representations to the Municipality within the specified period in the notice;

(e) Council will consider all comments and / or representations received when considering the finalisation of the property rates policy; and

(f) The municipality will communicate the outcomes of the consultation process in accordance with section 17(2)(e) of the Municipal Systems Act, No 32 of 2000.

23. REGISTER OF PROPERTIES

23.1 The Municipality will compile and maintain a register in respect of all properties situated within the jurisdiction of the Municipality. The register will be divided into Part A and Part B.

23.2 Part A of the register will consist of the current valuation roll of the municipality and will include all supplementary valuations done from time to time.

23.3 Part B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to:

(a) Exemption from rates in terms of section 15 of the Act;

(b) Rebate or reduction in terms of section 15 of the Act;

(c) Phasing-in of rates in terms of section 21 of the Act; and

(d) Exclusions as referred to in section 17 of the Act.

23.4 The register will be open for inspection by the public at the municipal main offices during office hours or on the website of the Municipality.

23.5 The Municipality will update Part A of the register during the supplementary valuation process.

23.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

24. BY-LAWS TO GIVE EFFECT TO THE PROPERTY RATES POLICY

24.1 The municipality will adopt a Property Rates By-law to give effect to the implementation of the Property Rates Policy and such By-law may differentiate between different categories of properties and different categories of owners of properties liable for the payment of property rates.

25. REGULAR REVIEW PROCESSES

25.1 The property rates policy must be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives as contained in the Integrated Development Plan and current legislation.

26. SHORT TITLE

26.1 This policy is the Property Rates Policy of the Drakenstein Municipality.

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Asset Transfer Policy

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27. Projections, projecting structures, encroachments and other minor rights to use

CHAPTER 4: MANAGEMENT AND DISPOSAL OF MOVABLE ASSETS

28. General principles
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30. Methods of disposal
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1. DEFINITIONS

For purposes of this policy, unless otherwise stated, the following definitions shall apply:

"capital asset"

(a) any immovable asset such as land, property or buildings; or

(b) any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future economic or social benefit can be derived, such as plant, machinery and equipment;

"competitive bid" in respect of a capital asset, the process in terms of which written bids are invited, evaluated and allocated in a prescribed manner for the acquisition of a capital asset of the municipality;

"competitive process" may include competitive bidding, closed bidding, public auction and a proposal call;

"Constitution" the Constitution of the Republic of South Africa, 1996;

"disposal" in relation to a capital asset, includes-

(a) the demolition, dismantling or destruction of the capital asset; or

(b) any other process applied to a capital asset which results in loss of ownership of the capital asset otherwise than by way of transfer of ownership;

"exempted capital asset" means a municipal capital asset which is exempted by section 14(6) or 90(6) of the Act from the other provisions of that section;

"fair market value" in relation to a capital asset, means the value at which a knowledgeable willing buyer would buy and a knowledgeable willing seller would sell the capital asset in an arm's length transaction;

"high value" in relation to a capital asset of a municipality or municipal entity, means the fair market value of the capital asset where such value exceeds one per cent of the total value of the capital assets of the municipality or municipal entity, as determined from the latest available audited annual financial statements of the municipality or entity.

"immovable assets" include, but is not limited to –

(a) immovable property or any share therein registered in the name of a person or entity, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person or entity;
(b) a right to an exclusive use area held in terms of a notarial deed of cession;
(c) a real right registered against immovable property in the name of a person or entity, excluding a mortgage bond registered against the property;
(d) any share in a share block company as defined in section 1 of the Share Blocks Control Act, 59 of 1980;
(e) a public place or public street;
(f) immovable property as defined in section 107 of the Deeds Registries Act, 47 of 1937; and
(g) property consisting of land, buildings, improvements or structures attached to the land;

"MFMA" the Municipal Finance Management Act, 2003 (Act 56 of 2003) and any regulations promulgated in terms thereof;

"municipality" the Drakenstein Municipality and includes any official or committee authorised to make decisions with regard to the disposal or acquisition of immovable capital assets;

"MATR" the Municipal Asset Transfer Regulations promulgated in terms of the MFMA (GG 31346 of 22 August 2008);

"non-exempted capital asset" means a municipal capital asset which is not exempted by section 14(6) or 90(6) of the Act from the other provisions of that section;

"non-viable assets" Immovable property that owing to urban planning or physical constraints or extent, cannot be developed on its own or function as a separate entity and only becomes functional if alienated or leased to an adjoining owner for usage in conjunction with the said owner's property;
"restitution of a right in land" means-
(a) the restoration of a right in land; or
(b) equitable redress;

"restoration of a right in land" means the return of a right in land or a portion of land dispossessed after 19 June 1913 as a result of past racially discriminatory laws or practices;
~~**"restitution"** means the restitution of rights as regulated in terms of the Restitution of Land Rights Act 1994 (Act 22 of 1994)~~

-**"SCM Policy"** the supply chain management policy of the municipality as adopted in terms of section 111 of the MFMA;

"**viable assets**" means property that shall be deemed to be property that can be developed and function as a separate entity and can be registered as a separate entity in a Deeds Registry.

CHAPTER 1: GENERAL PROVISIONS

2. APPLICATION

2.1 This policy is applicable to the disposal and management of all capital assets of the municipality as well as the granting of rights to use, control or manage municipal capital assets.

3. LEGISLATIVE FRAMEWORK

3.1 This policy is subject to the provisions of the following legislation-

3.1.1 The MFMA and in particular section 14[1] thereof which governs the disposal of capital assets of the municipality;

3.1.2 The MATR which regulates-

3.1.2.1 The disposal and transfer of municipal capital assets; and

3.1.2.2 The powers of the municipality to grant rights to lease, use, control or manage capital assets;

3.1.3 The municipality's SCM policy as adopted in terms of the MFMA; and

3.1.4 Any other legislation pertaining to immovable property.

4. OBJECTIVES AND PRINCIPLES

4.1 To provide a practical framework for the management and administration of the

[1] (1) A municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.
(2) A municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in subsection (1), but only after the municipal council, in a meeting open to the public-
(a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
(b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

municipality's assets; to determine the various categories of assets in order to regulate its use, disposal and acquisition and to establish criteria for evaluation of transactions and lay down procedures in respect of the various categories of transactions.

4.2 The municipality realises that assets held by it which is not envisaged for or already used for public purposes or in the public's interest, should be dealt with in a manner which will ensure the greatest benefit to the municipality and the community.

4.3 Assets will be sold or let at a reasonable market value except when the public interest or the plight of the poor demands otherwise.

4.4 The market value of property for the purposes of disposal or letting shall be determined in terms of regulation 5(4) and (5)[2] of the MATR and shall be determined by an independent valuer.

[2] (4) The value of a capital asset must for purposes of subregulation (3)(b)(i) be determined in accordance with the accounting standards that the municipality is required by legislation to apply in preparing its annual financial statements.
(5) In the absence of sufficient guidance in those accounting standards regarding the valuation of capital assets, any of the following valuation methods must be applied-

(a) historical cost of the asset, adjusted for accumulated depreciation and any impairment losses as at the proposed date of transfer or disposal;
(b) fair market value of the asset;
(c) depreciated replacement cost of the asset; or
(d) realisable value of the asset.

4.5 Where the municipality intends to dispose of or let assets for less than its fair market value, the considerations in regulations 7[3] and 13(2)[4] of the MATR must be taken into account.

4.6 In terms of section 14(5) of the MFMA any transfer of ownership of a capital asset must be fair, equitable, transparent and competitive.

4.7 Notwithstanding the provisions of paragraph 4.6 the municipality may authorise the direct disposal of immovable assets in the circumstances listed in paragraph 13 provided that before such direct disposal is finally approved, the general public be afforded an opportunity to submit counter offers to acquire the asset, where after the application and the counter offers must be considered by Council.

4.8 To give effect to section 40(1) of the municipality's SCM policy.

5. POWERS OF THE MUNICIPALITY

5.1 The municipality may, in achieving its operational and strategic objectives-

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[3] The municipal council must, when considering any proposed transfer or disposal of a non-exempted capital asset in terms of regulation 5(1)(b)(i) and (ii), take into account-

(a) whether the capital asset may be required for the municipality's own use at a later date;
(b) the expected loss or gain that is expected to result from the proposed transfer or disposal;
(c) the extent to which any compensation to be received in respect of the proposed transfer or disposal will result in a significant economic or financial cost or benefit to the municipality;
(d) the risks and rewards associated with the operation or control of the capital asset that is to be transferred or disposed of in relation to the municipality's interests;
(e) the effect that the proposed transfer or disposal will have on the credit rating of the municipality, its ability to raise long- term or short-term borrowings in the future and its financial position and cash flow;
(f) any limitations or conditions attached to the capital asset or the transfer or disposal of the asset, and the consequences of any potential non-compliance with those conditions;
(g) the estimated cost of the proposed transfer or disposal;
(h) the transfer of any liabilities and reserve funds associated with the capital asset;
(i) any comments or representations on the proposed transfer or disposal received from the local community and other interested persons;
(j) any written views and recommendations on the proposed transfer or disposal by the National Treasury and the relevant provincial treasury;
(k) the interests of any affected organ of state, the municipality's own strategic, legal and economic interests and the interests of the local community; and
(l) compliance with the legislative regime applicable to the proposed transfer or disposal.

[4] (2) If a municipality or municipal entity on account of the public interest, in particular in relation to the plight of the poor, intends to transfer a non-exempted capital asset for less than its fair market value, the municipality or entity must, when considering the proposed transfer, take into account-

(a) the interests of-
  (i) the State; and
  (ii) the local community;
(b) the strategic and economic interests of the municipality or municipal entity, including the long-term effect of the decision on the municipality or entity;
(c) the constitutional rights and legal interests of all affected parties;
(d) whether the interests of the parties to the transfer should carry more weight than the interest of the local community, and how the individual interest is weighed against the collective interest; and
(e) whether the local community would be better served if the capital asset is transferred at less than its fair market value, as opposed to a transfer of the asset at fair market value.

5.1.1 use, improve, benefit there from, dispose, let or allow its immovable assets to be developed or occupied or to permit it to be enclosed and cultivated;

5.1.2 acquire assets and rights in assets by way of private treaty, cession, donation and expropriation;

5.1.3 dispose of assets and rights in assets by way of direct sale, competitive bidding, auction and direct negotiation.

5.1.4 let assets on a long term or short-term basis by way of direct negotiation or competitive bidding.

5.1.5 subject to paragraph 4.5 determine subsidised selling prices, lease or rights to use tariffs in respect of assets;

5.1.6 acquire and dispose of assets by means of exchange;

5.1.7 lease assets for own purposes where necessary; and

5.1.8 exercise such other competencies as may be reasonably necessary, or incidental to the effective performance of its functions.

CHAPTER 2: DISPOSAL MANAGEMENT

6. DISPOSAL MANAGEMENT SYSTEM

The disposal management system in this policy comprises of competitive as well as non-competitive processes.

6.1 Competitive processes

6.1.1 In terms of section 14(5) of the MFMA, disposal of assets by the municipality must be fair, equitable, transparent, competitive and consistent with paragraph 40 of the municipality's SCM Policy.

6.1.2 Provision is made for various disposal options as required by the different categories of assets of the municipality and may include one or more of the following-

6.1.2.1 public auction;

6.1.2.2 competitive bidding;

6.1.2.3 closed bidding;

6.1.2.4 call for applications;

6.1.2.5 call for proposals;

6.1.2.6 release for restitution purposes

7. PUBLIC AUCTION

7.1 Viable assets may be alienated by public auction in cases where the municipality is of the opinion that it is in the interest of the community and the municipality.

7.2 The terms and conditions of each auction shall be determined on a project-by-project basis, appropriate to the specific characteristics and attributes of the assets, and to the municipality's strategic objectives.

7.3 Where the services of an auctioneer are utilised, the auctioneer's commission shall be payable by the successful bidder and shall not form part of the financial offer to the municipality.

7.4 A reserve price, in other words the lowest price at which the municipality will sell the asset, must be determined by Council for the disposal of an immovable asset by public auction.

7.5 The sale of an immovable asset to the highest bidder at a public auction is subject to approval by Council.

7.6 Where viable assets are offered for sale by public auction and no offer is received, or where assets remain unsold after any other competitive process, the unsold assets may be sold out-of-hand at the reserve price or higher as long as the reserve price corresponds with fair market value.

8. COMPETITIVE BIDDING

8.1 The competitive bidding process may involve the call for purely financial offers for the asset offered for alienation.

8.2 Depending on the nature of the transaction, competitive bidding may include a two-stage bidding process in terms of which only those bidders that meet the pre-qualification criteria specified in the first stage are entitled to participate in the second stage.

8.3 Bids for the purchase and development of land other than residential land must be evaluated based on a functionality assessment of the development proposals and only bidders that pass a pre-determined functionality score may proceed to the second stage which will include the monetary bid.

8.4 The City Manager may assign the committees established for the consideration of competitive bids in terms of the SCM policy for the preparation of bid documents, and the evaluation and adjudication of competitive bids in terms of this policy.

8.5 After adjudication of a competitive bid, the matter must be referred to Council for a final decision to transfer the asset, but only after Council, in a meeting open to the public-

(a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and

(b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

9 CLOSED BIDDING

9.1 The closed bidding process may be applied in respect of the disposal of non-viable assets.

9.2 If a non-viable asset has more than one adjacent owner and if such an asset is capable of being consolidated with more than one of such adjacent properties, then a closed bid may be called for from all the registered owners of all the adjacent properties with which the asset can be consolidated.

10. CALL FOR APPLICATIONS

10.1 The municipality may follow a less formal process in respect of the disposal, granting of rights to use or letting of assets for social care, community, ~~or~~ sport purposes or any other purposes that justify the process.

10.2 In terms of this disposal option, applications may be invited in the press from organisations or individuals interested in the acquiring of land. Such applications must be supported by relevant information as requested by the municipality in order to assess the applications.

10.3 A fixed selling price/rental must be determined, where applicable, in accordance with par 16.2 and 23 hereof before applications are invited.

10.4 Proposals received in terms of this disposal option must be submitted to the relevant political structures for consideration.

10.5 A public participation process must be followed.

11. CALL FOR PROPOSALS

11.1 The Municipality may call for development proposals in respect of the property identified for alienation and development.

11.2 In terms of this disposal option Council must determine a market related selling price in respect of the asset prior to calling for development proposals.

11.3 Proposals received in terms of this disposal option must be submitted to the relevant political structures for consideration and recommendation to Council for approval.

11.4 Where the type of development required for a capital asset is uncertain, Council may call for development proposals, which do not include a monetary bid, to determine the preferred type of development and development specifications. Such proposals must be submitted to the relevant political structures for consideration and a recommendation to Council on the preferred type of development, the development specifications as well as the disposal option to be followed.

12. RELEASE OF IMMOVABLE ASSETS FOR RESTITUTION PURPOSES

12.1 The Municipality may release immovable capital assets to the Department of Rural Development and Land Reform upon formal request from the Regional Land Claims Commission, for the purposes of restitution of rights as envisaged in terms of the Restitution of Land Rights Act 1994 (Act 22 of 1994);

12.2 Capital assets released for this purpose shall be disposed of at subsidized prices as applicable to social care, community and sports assets;

12.3 Where capital assets released for restitution purposes form part of government programs, such programs will guide the selling prices applicable and may also be "gratis"

13. DISPOSAL BY DIRECT NEGOTIATION

13.1 Non-viable assets

13.1.1 In respect of assets which can only be utilized by one or more adjacent land owners, a transaction(s) may be approved by Council without the ~~any formal~~ competitive process as envisaged in paragraph 8 above having been followed, including in response to an unsolicited application, on the basis that no purpose would be served by ~~a formal~~ such competitive process.

13.1.2 Direct disposal of non-viable assets must incorporate the principle of competitiveness by, inviting in the press, other interested parties to submit counter applications or offers. The proposed disposal must also be advertised for objections or comments where after all applications must be considered.

13.1.3 Upon approval of a transaction contemplated in paragraph 13.1.1, the City Manager must minute the reasons for the decision.

13.2 Viable assets

13.2.1 The Council may dispense with the ~~formal~~ competitive processes as envisaged in paragraph 8 above~~established in this policy,~~ and may enter into a transaction through any convenient process, which may include direct negotiation or consideration of an unsolicited application, but only in the following circumstances –

13.2.1.1 where specific circumstances peculiar to the asset has the result that it can only be utilized by the one person/organization wishing to enter into the transaction;

13.2.1.2 where the applicant wishing to enter into the transaction is the sole provider of the service or product in respect of which the property will be used and the use of the property is inextricably linked to the provision of that service or product;

13.2.1.3 where the council is satisfied that the transaction will be exceptionally beneficial to the municipality or the community, or has exceptional cost advantages for the municipality which would not be realised if a competitive process were to be followed;

13.2.1.4 where the applicant applies for an asset abutting the applicant's current property which is required for extending its existing establishment/business and such extension will be in the public interest; or

13.2.1.5 any other circumstances where council is of the view that it will not be in the interest of the municipality or of the community in general to follow a competitive process.

13.3 Direct disposal of viable assets must incorporate the principle of competitiveness by inviting in the press~~,~~ other interested parties to submit counter applications or offers. The proposed disposal must also be advertised for objections or comments where after all applications must be considered.

13.4 Upon approval of a transaction contemplated in paragraph 13.2.1, the City Manager must minute the reasons for the decision.

14. SOCIAL CARE, COMMUNITY, AND SPORT ASSETS

14.1 Where the municipality receives an application or proposal to acquire assets for social care, community or sport purposes or where an asset is disposed of in the interest of the public or as result of the plight of the poor, the following factors must be taken into account in justifying not following a competitive bidding process-

14.1.1 whether the applicant has historically enjoyed a property right granted by the municipality and has fulfilled and complied with all responsibilities and obligations in terms of the agreement with the municipality;

14.1.2 the exact nature of the social care, community or sport purpose;

14.1.3 whether the social care, community or sport purpose will satisfy a priority need in the community;

14.1.4 whether the municipality is satisfied with the manner in which the applicant gives effect to the social care, community or sport purpose; or

14.1.5 whether the transaction will be exceptionally beneficial to the municipality or the community, or have exceptional cost advantages for the municipality.

14.2 For the purposes of this policy **"social care, community or sport assets"** includes, but is not limited to-

14.2.1 places of worship being used for spiritual gathering and social, pastoral or welfare caring and support to worshippers and the broader community;

14.2.2 childcare facilities insofar as it contributes to the functioning of a multi-use childcare facility and is operated on a non-profit basis;

14.2.3 retirement villages for that portion of the building or facility available to general public use at subsidized or nominal prices;

14.2.4 schools and other government services;

14.2.5 centres utilised as homes for the handicapped and disabled persons;

14.2.6 non-profit rehabilitation centres;

14.2.7 homes/centres for indigent, homeless or destitute persons;

14.2.8 organizations for the homeless and elderly;

14.2.9 youth activity centres;

14.2.10 skills development centres;

14.2.11 non commercial sport facilities;

14.2.12 churches which also render social development services in addition to existing religious activities, or

14.2.13 housing units funded or partly funded by government housing subsidies aiming to promote first time home ownership.

15. PLACES OF WORSHIP

15.1 The following factors shall be considered relevant in the selection and allocation of immovable assets to places of worship-

15.1.1 the size of the congregation in relation to the size of the available site;

15.1.2 the availability of finance to acquire the site and commence with development within the agreed development period;

15.1.3 whether or not welfare type facilities/activities will be provided in addition to religious facilities;

15.1.4 whether or not the congregation members are drawn from the area in which the asset is situated; or

15.1.5 whether or not the development makes provision for multi-purpose social use which could address the need for other social activities.

16. SELLING PRICES

16.1 Market related prices

16.1.1 Immovable assets may be disposed of only at market-related prices, except when the plight of the poor or public interest demand otherwise.

16.1.2 Market related selling prices may be discounted in lieu of an immovable capital asset to be developed by the purchaser provided that appropriate guarantees are provided by the purchaser, and/or any other form of community value to be gained by - the m~~M~~unicipality.

16.2 Subsidized prices/rates

16.2.1 If the municipality, on account of the public interest, particularly in relation to the plight of the poor, intends to dispose of a non-exempted asset for less than market value it must take into account the factors specified in Regulation 13(2) of the MATR.[5]

[5] (2) If a municipality or municipal entity on account of the public interest, in particular in relation to the plight of the poor, intends to transfer a non-exempted capital asset for less than its fair market value, the municipality or entity must, when considering the proposed transfer , take into account-

(a) the interests of-
  (i) the State; and
  (ii) the local community;

(b) the strategic and economic interests of the municipality or municipal entity, including the long-term effect of the decision on the municipality or entity;

(c) the constitutional rights and legal interests of all affected parties;

(d) whether the interests of the parties to the transfer should carry more weight than the interest of the local community, and how the individual interest is weighed against the collective interest; and

(e) whether the local community would be better served if the capital asset is transferred at less than its fair market value, as opposed to a transfer of the asset at fair market value.

16.2.2 Subject to the factors specified in Regulation 13(2) of the MATR, the municipality may dispose of social care, community or sport assets as well as assets identified for restitution purposes at between 5% and 20% of fair market value subject to a suitable reversionary clause being registered against the title deed of the property.

16.2.3 In the event of property mentioned in 16.2.2 ceasing to be used for the purpose originally intended, reversionary rights as contemplated in par 18.10 are triggered and the municipality reserves the right to demand compensation equal to the difference between the purchase price and the current fair market value of the property, or that the property be transferred into the ownership of the municipality at no cost for the municipality.

17. PLIGHT OF THE POOR

Whenever the plight of the poor is a consideration in any decision to be taken in respect of the acquisition, disposal or letting of immovable assets, regard shall be given to the conditions mentioned in regulation 13(2) of the MATR. (See footnote 5)

18. STANDARD CONDITIONS OF SALE

18.1 Purchasers shall be responsible for all costs, and where applicable, all action pertaining to a transaction e.g. survey, rezoning, subdivision, consolidation, advertisement, relocation or provision of services, provided that the municipality may decide to waive its right to recover such costs if the reason for the sale is to rid the municipality of the burden to maintain or exercise control there over or where the capital asset will be.

18.2 All statutory requirements must be met by the purchaser at his or her own costs. The municipality may on account of the public interest or the plight of the poor, decide to undertake one or more of the statutory requirements at the municipality's cost.

18.3 Where applicable, existing services may be secured by means of the registration of a servitude in favour of the municipality or be suitably protected, and costs shall be for the account of the purchaser.

18.4 Immovable property which is sold to an adjacent owner, shall be rezoned, closed and consolidated with the purchaser's property at his or her cost.

18.5 Development of vacant land sold must commence within such time frames as agreed upon, or in accordance with the conditions of sale, or in accordance with the development program provided by the purchaser and must be completed within a

period stipulated in the deed of sale or the approved development program of the applicant.

18.6 The municipality shall have a reversionary right against re-payment of the original purchase price to transfer the property into its name where the purchaser fails to complete the intended development within the agreed time frame. Reversionary rights are applicable to successors in title.

18.7 In addition to re-transfer of the property as envisaged in paragraph 18.6, the municipality may require payment for damages in accordance with the provisions of the deed of sale.

18.8 The municipality reserves the right to impose such additional conditions as deemed necessary, without limiting its rights to liquidated damage.

18.9 The deed of sale may provide for the payment of occupational interest from date of occupation, as agreed upon, until transfer of the property in the name of the purchaser.

18.10 A reversionary clause, in terms of which assets will revert to the municipality without cost and free of any claims, shall be applicable to immovable assets sold below market value.

18.11 A pre-emptive clause shall be applicable to an undeveloped asset should the purchaser intend to sell such asset or a portion thereof or intend to use it for purposes other than the purposes specified in the transaction conditions.

18.12 Immovable property may only be used for the purpose as approved by council and in accordance with the approved town planning scheme.

18.13 A deed of sale must be signed within 60 days from the date of official request by the municipality, or within such extended period as may be agreed upon failing which the transaction shall lapse.

18.14 A suspensive condition shall be applicable to all transactions that are subject to the approval of land use rights or approvals in terms of other legislation and the municipality may add additional suspensive conditions in respect of any other matter it deems appropriate.

18.15 Interest on the purchase price may be charged by the municipality after expiry of a stipulated period from the date of sale, or should payment

or transfer be delayed due to action or failure on the part of the purchaser or during the validity period of suspensive conditions.

19. PROPERTY NOT FOR DISPOSAL

The municipality may not dispose of a property needed to provide the minimum level of basic municipal services,[6] save where the disposal is to another organ of State, as provided for in section 14(6) of the MFMA read with Chapter 3 of the MATR.

20. EXEMPTED DISPOSALS TO ORGANS OF STATE

20.1 The disposal of property to other organs of state are exempted from the requirements of sections 14(1) to (5) of the MFMA[7]. Such exemption shall however only apply if the circumstances listed in regulation 20[8] of Chapter 3 of the MATR are applicable.

20.2 Where none of the circumstances listed in regulation 20 of the MATR are applicable, and where the transfer to another organ of state is done as part of a normal commercial transaction, it shall be subject to the provisions of sections 14 and 90 of the MFMA.

21. NON-EXEMPTED DISPOSALS (SECTION 14)

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[6] Defined in the Systems Act as, "*a municipal service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety or the environment*".

[7] See footnote 1

[8] [8] (1) Section 14(1) to (5) and section 90(1) to (5) of the Act does not apply if a municipality or municipal entity transfers a capital asset to an organ of state in any of the following circumstances:

(a) When transfer of a capital asset emanates from a review by a municipality of its service delivery mechanisms for the performance of a municipal service in terms of Chapter 8 of the Municipal Systems Act and the municipality appoints another organ of state as the preferred option for the performance of the service;

(b) when transfer of a capital asset emanates from a reorganisation of powers and functions between a parent municipality and its municipal entity, including asset transfers contemplated in section 84 of the Act;

(c) when transfer of a capital asset emanates from an assignment of any of the powers or functions of a municipality to another organ of state by national legislation or in terms of a power contained in national legislation, including an assignment of powers or functions following-

  (i) an adjustment of the division of powers and functions between a district municipality and local municipalities within the district in terms of section 85 of the Municipal Structures Act;

  (ii) an authorisation in terms of section 84(3) the Municipal Structures Act; or

  (iii) a re-demarcation of municipal boundaries in terms of the Municipal Structures Act; 18

(d) when municipal housing or land is transferred to a national or provincial organ of state for housing for the poor or in terms of a national or provincial housing policy;

(e) when transfer of a capital asset to an organ of state is required or permitted in terms of national legislation and that legislation determines the conditions of the transfer; or

(f) any other circumstance not provided in paragraph (a) to (e), provided that-

  (i) the capital asset to be transferred is determined by resolution of the council to be not needed for the provision of the minimum level of basic municipal services and to be surplus to the requirements of the municipality; and

  (ii) if the capital asset is to be transferred for less than fair market value, the municipality takes into account-

    (aa) whether the capital asset may be required for the municipality or a municipal entity under the municipality's sole or shared control at a later date;

21.1 In respect of non-exempted disposals, sections 14(1) to (5) of the MFMA, as well as well as Chapter 2 of the MATR, which provides the framework for the implementation of these aspects of section 14 of the MFMA, must be complied with. In terms of section 14(1) to (5) of the MFMA, the municipality may transfer or permanently dispose of such property only after the following requirements are met -

21.1.1 a public consultation process as set out in regulations 5(1)(a) and (2) of the MATR must be undertaken in case of a high-value capital asset;

21.1.2 the municipality, in a meeting open to the public, must have decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and

21.1.3 the municipality must have considered the fair market value of the asset and the economic and community value to be received in exchange for the asset[9].

21.2 Because of the determinations in 21.1.2 and 21.1.3 the municipality ~~has to~~must decide on "approval in principle" for the transfer or disposal of the capital asset as required in terms of regulation 5(1)(b)(ii) of the MATR.

21.3 The additional factors to be taken into consideration by the municipality for an "approval in principle", to the extent that they are applicable to each particular case, are set out in regulations 7[10], 11[11] and 13(2) of the MATR.

21.4 The decision making process in respect of high value capital assets is prescribed by Part 1 of Chapter 2 of the MATR and includes-

21.4.1 a request to Council, accompanied by an Information Statement,[12] to authorize the City Manager to conduct a public participation process; and

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[9] See footnote 1.

[10] See footnote 3

[11] An approval in principle in terms of regulation 5(1)(b)(ii) or 8(1)(b)(ii) that a non-exempted capital asset may be transferred or disposed of, may be given subject to any conditions, including conditions specifying 12 -

(a) the way in which the capital asset is to be sold or disposed of;

(b) a floor price or minimum compensation for the capital asset;

(c) whether the capital asset may be transferred or disposed of for less than its fair market value, in which case the municipal council must first consider the criteria set out in regulation 13(2); and

(d) a framework within which direct negotiations for the transfer or disposal of the capital asset must be conducted with another person, if transfer or disposal is subject to direct negotiations.

[12] (b) A request to the municipal council for authorisation of a public participation process must be accompanied by an information statement approved by the board of directors of the municipal entity stating-

(i) the valuation of the capital asset to be transferred or disposed of and the method of valuation used to determine that valuation;

(ii) the reasons for the proposal to transfer or dispose of the capital asset;

(iii) any expected benefits to the municipal entity that may result from the transfer or disposal;

(iv) any expected proceeds to be received by the municipal entity from the transfer or disposal; and

(v) any expected gain or loss that will be realised or incurred by the municipal entity arising from the transfer or disposal.

21.4.2 the undertaking of a public participation process by the City Manager as prescribed in regulation 6 of the MATR.[13]

21.5 The municipality must undertake a public participation process which entails a 30 days' notice in the local press in respect of the intended disposal of immovable capital assets, other than subsidized housing and exempted property.

CHAPTER 3: GRANTING OF RIGHTS TO USE, CONTROL OR MANAGE MUNICIPAL CAPITAL ASSETS

22. PROPERTY RIGHTS

22.1 Chapter 4 of the MATR governs the granting of a property right in circumstances where section 14 of the MFMA does not apply, in other words, where the granting of such rights do not amount to the transfer or permanent disposal of the asset, for example when a right is acquired through a leasing, letting or hiring out arrangement.

22.2 Regulation 33(3) in Chapter 4 of the MATR specifies the circumstances in which a property right must be dealt with as if such granting of a property right is subject to section 14 of the MFMA.[14]

23. SUBSIDIZED RATES

23.1 Market related rates will apply to the granting of rights to use immovable property except where the plight of the poor, the public interest as well as the operational needs and strategic objectives of the municipality demand otherwise.

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[13] "The accounting officer must, at least 60 days before the Council meeting at which the Council will make the Section 14 Determinations and will decide whether to grant In Principle Approval for the Disposal, in accordance with section 21A of the Systems Act, to make public the proposal to dispose, together with the Information Statement to invite the local community and other interested persons to submit to the Council comments or representations in respect of the proposed Disposal; and to solicit the views and recommendations of National Treasury and Provincial Treasury."

[14] (3) The granting by a municipality or municipal entity of a right to use, control or manage a capital asset must for the purposes of these Regulations be dealt with in terms of Chapter 2 or 3 as if such granting of a right is a transfer within the meaning of that Chapter, if the right-

(a) is granted for an indefinite or undetermined period;

(b) is granted for a period which exceeds-

(i) the useful life of the capital asset; or

(ii) the economic usefulness of the capital asset and which would require the asset, in order to remain economically useful, to be substantially upgraded, altered or replaced during the period for which the right is granted; or

(c) confers on the person to whom the right is granted -

(i) option to buy or acquire ownership in the capital asset; or

(ii) the power to use, control or manage the capital asset as if that person is the beneficial (but not legal) owner of the asset.

23.2 Taking into account the public interest and the municipality's strategic objectives with regard to the promotion of local economic development, the municipality may allocate business space in municipal buildings to micro and very small enterprises at subsidized rental on the following basis:

23.2.1	(a) rental for the first year:	20% of market related rental;
	(b) rental for the second year:	50% of market related rental;
	(c) rental for the third year:	75% of market related rental;
	(d) rental for the fourth year:	100% of market related rental; and

23.2.2 that the phasing in of the rental only be granted once to the same owner;

23.3 In addition to the aforegoing the Municipality may in terms of its annual budget, approve fixed rates in respect of the use of assets or classes of assets.

23.4 For the purposes of paragraph 23.2 "micro enterprise" and "very small enterprise" means enterprises as defined in the National Small Enterprises Act, 1996 (Act 102 of 1996), attached as Annexure A.

23.5 The provisions of paragraph 25, with the necessary changes, are applicable to rentals in terms of paragraph 23.

23.6 The municipality may grant rights to use in respect of social care, community or sport assets or in circumstances where the plight of the poor or community interests so demands, at between 5% and 20% of fair market value.

23.7 The granting of rights to use to may be "gratis" in the following circumstances:

23.7.1 Where an authority or service provider renders local government functions as per Schedule 4B and 5B of the Constitution of the Republic of South Africa,1996;

23.7.2 The use of assets for security purposes in residential areas.

24. DECISION MAKING PROCESS FOR GRANTING OF RIGHTS TO USE, CONTROL OR MANAGE MUNICIPAL CAPITAL ASSETS

24.1 Part 1 of Chapter 4 of the MATR specifies a process for decision-making by a municipality in respect of the granting of a right to use, control or manage municipal capital assets.

24.2 The consideration of any proposal for the granting of a right to use, control or manage municipal capital assets is subject to the provisions of regulation 36[15] of the MATR.

24.3 Where an asset is classified as long-term-high-value, the first phase in the process of decision-making is public participation. In terms of the MATR, this phase applies only to a long-term high-value right and includes-

24.3.1 a request to council, accompanied by an Information Statement,[16] to authorize the City Manager to conduct a public participation process; and

24.3.2 the City Manager conducting a public participation process as prescribed in the MATR [17].

24.4 The City Manager may determine the form that the public participation process should take.

24.5 Once the public-participation phase of the decision-making process has been completed, a decision must be taken by council as to whether to grant an in principle approval in respect of the granting of the property right.

24.6 The municipality may delegate its power to authorise a public participation process to the City Manager in respect of a property right with a value of less than R10 million and where a long term right is not granted.

24.7 "**Long-term high-value right**" means a property right with a value in excess of R10 million which is granted for a period exceeding three years;

25. STANDARD CONDITIONS OF LEASE

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[15] The municipal council must, when considering in terms of regulation 34(1)(b) approval for any proposed granting of a right to use, control or manage a capital asset, take into account-

(a) whether the capital asset may be required for the municipality's own use during the period for which the right is to be granted;

(b) the extent to which any compensation to be received for the right together with the estimated value of any improvements or enhancements to the capital asset that the private sector party or organ of state to whom the right is granted will be required to make, will result in a significant economic or financial benefit to the municipality;

(c) the risks and rewards associated with the use, control or management of the capital asset in relation to the municipality's interests;

(d) any comments or representations on the proposed granting of the right received from the local community and other interested persons;

(e) any written views and recommendations on the proposed granting of the right by the National Treasury and the relevant provincial treasury;

(f) the interests of any affected organ of state, the municipality's own strategic, legal and economic interests and the interests of the local community; and

(g) compliance with the legislative regime applicable to the proposed granting of the right.

[16] See footnote 11

[17] See footnote 12

25.1 A lessee shall be responsible for all costs, and where applicable, all action pertaining to a transaction e.g. survey, rezoning, subdivision, consolidation, advertisement, relocation or provision of services, provided that the municipality may decide to waive its right to recover such costs if the transaction is deemed to be in the general interest of the broader community.

25.2 No transaction shall be processed unless the applicant has confirmed in writing that he or she will bear all applicable costs as set out in paragraph 25.1 and all other conditions imposed by the municipality will be complied with.

25.3 Deposits or equivalent security/guarantees may be applicable to the lease of assets.

25.4 No immovable property shall be sub-let, ceded or assigned by the lessee, without the prior written approval of the municipality given by the City Manager or his or her assignee.

25.5 An owner of immovable property who leases an adjoining municipal property may be substituted by his successor in title for the duration of the remainder of the lease term on the same terms and conditions or additional terms and conditions.

25.6 Rental escalation over the term of the lease shall be calculated at the time of approval to provide for a fixed rental over the lease period.

25.7 The lessee shall be liable for payment of service charges unless exempted by Council.

25.8 The rental of lanes, public open spaces and road reserves shall be subject to-

25.8.1 temporary or permanent closure where necessary;

25.8.2 payment of costs for the re-location or installation of services where necessary; and

25.8.3 protection of services at the cost of the applicant, if required.

25.9 The lessee shall indemnify the municipality against claims arising from the lease or use of the property.

25.10 The property may only be used for the purposes it is let and purposes allowed by the town planning scheme.

25.11 A lease agreement shall be concluded and signed within reasonable time from the date of official request by the municipality failing which the transaction shall lapse and the applicant shall forfeit his or her deposit and be held liable for costs exceeding

the deposit amount.

25.12 Officials of the municipality shall be entitled to enter and inspect the leased premises at reasonable times.

25.13 The lessee must maintain the leased property, to the extent required in terms of the lease agreement.

25.14 Improvements made by the lessee shall revert back to the municipality upon expiry of the lease agreement or in case of cancellation of the agreement as result of non-compliance with conditions. Should the agreement be terminated early at the initiative of the municipality for municipal purposes, the municipality may by mutual agreement compensate the lessee for part of the actual cost of the improvements.

26. SHORT TERM USE

26.1 The City Manager may approve the lease of property for periods not exceeding 90 days in circumstances where it is in the interest of the community that the asset be occupied without delay, subject to the following-

26.1.1 the applicant must at his or her cost connect to municipal services if required;

26.1.2 the leased property must be returned to the municipality in its original state and the lessee shall be held liable for any damages caused by him or her to the leased property;

26.1.3 the applicant must indemnify the municipality against claims arising from the lease or use of the property; and

26.1.4 the ~~Administration~~ municipality promptly implements the necessary procedures for the formal approval of the proposed use right.

27. PROJECTIONS, PROJECTING STRUCTURES, ENCROACHMENTS AND OTHER MINOR RIGHTS TO USE

27.1 The municipality may, subject to conditions it may deem necessary, including the payment of rental, permit the erection or retention of a veranda, balcony, or similar structure which projects or encroaches into or over any public place, public street or road reserve.

27.2 The following rights to use may also be permitted as depicted in the table below and the necessary authority is hereby granted to the relevant senior managers as stated therein:-

APPLICATIONS FOR RIGHTS TO USE, CONTROL OR MANAGE IMMOVABLE PROPERTY				
No	**Type of application**	**Public consultation**	**Compensation**	**Approval by**
1	Projections over street sidewalks and road reserves	None	Once off payment as per budget tariffs[18]	Executive Director: Planning and Development as part of building plan process
2.	Minor building works over road reserves (as defined in the National Building Regulations)	2.1 Depending on nature of application place notice in local press 2.2 Applicant to obtain written consent of neighbours where necessary	Once off payment as per budget tariffs	Executive Director: Planning and Development as part of building plan process
3.	Gardening purposes over road reserves/sidewalks	3.1 Depending on nature of application place notice in local press 3.2 Applicant to obtain written consent of neighbours where necessary	**Fenced encroachments** Once off payment as per budget tariffs **Unfenced encroachments** No fee	Executive Director: Engineering Services (subject to entering into a temporary encroachment agreement)
4.	Gardening purposes over public places	Notices to surrounding owners as well as notice in the press	**Fenced encroachments –** Once off payment as per budget tariffs **Unfenced encroachments** No fee	Executive Director: Planning and Development (subject to entering into a temporary encroachment agreement)

[18] Rentals in this table can also be at less than market value if public interest or the plight of the poor demands otherwise.

5.	Temporary closure of pedestrian lanes and granting of a Use Right for purposes other than for security reasons.	Notice to surrounding owners as well as notice in the press	Market related rental	Executive Mayor
6.	Temporary closure and granting of Use right to adjacent owner to close pedestrian lane for security purposes	Notice to adjacent owners as well as notice in the press	No fee	Executive Mayor
7.	Vehicle access encroachments and paving encroachments	7.1 Depending on nature of application place notice in local press 7.2 Applicant to obtain written consent of neighbours where necessary	**Fenced encroachments –** Once off payment as per budget tariffs **Unfenced encroachments** No fee	Relevant Executive Director Executive Director: Engineering Services (subject to entering into a temporary encroachment agreement)
8.	Installation of communication infrastructure on municipal property	Depending on nature of infrastructure, notify owners as well as notice in the press	Market related rental	Executive Mayor
9.	Temporary use of vacant municipal land (maximum 90 days)	Notice in local press depending on nature of use	Non-commercial and municipal related use - No fee.	City Manager
10.	Outside seating for restaurants, taverns, etc.	Notices to surrounding owners as well as notice in the press	Market related rental	Executive Mayor
11.	Once-off letting of town halls and community halls	None	Once off tariffs as per budget	Executive Director: Community Services.

12.	Once-off letting of sports facilities	None	Tariffs as per budget	Executive Director: Community Services.
13.	Way leaves (cables, pipes, electronic communication network etc. under streets, road reserves and public open spaces)	None	Once off tariff as per budget	Executive Director: Engineering Services (subject to entering into an agreement)
14.	Letting of kiosks at municipal swimming pools and municipal resorts (maximum period of 24 months)	Invitation of applications (subject to prior in-principle approval by City Manager)	Tariffs as per budget	Executive Director: Community Services
15.	Letting of municipal dwellings identified for lease to municipal staff (maximum period of 36 months)	None	Tariffs as per budget.	Executive Director: Community Services.
16.	Letting of informal trading spaces/stands (maximum period of 36 months)	Invitation of applications (subject to prior in-principle approval by City Manager)	Tariffs as per budget	Executive Director: Planning and Development
17.	Letting of rooms/space in Thusong Centres and other public facilities under the control of the Executive Director: Community Services (maximum period of 24 months)	Invitation of applications (subject to prior in-principle approval by City Manager)	Tariffs as per budget	Executive Mayor

CHAPTER 4: MANAGEMENT AND DISPOSAL OF MOVABLE ASSETS

28. GENERAL PRINCIPLES

28.1 The accounting officer must implement an effective system for the management and disposal of movable assets, including but not limited to unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the MFMA.

28.2 Any disposal of a movable asset must be fair, equitable, transparent, competitive and consistent with the SCM policy of Council.

29. DISPOSAL

29.1 When Council considers the disposal of movable assets, the following must be complied with-

29.1.1 consider the determinations as envisaged in terms of Section 14(2) of the MFMA;
29.1.2 take into account the issues as contained in Regulations 36 of the MATR[19] ;
29.1.3 the general procedures as laid down in Chapters 2 and 4 of the MATR.

29.2 A request for assets below the value of R200, 000 to be sold must be submitted to the City Manager by the supply chain management section which must be accompanied by a list of assets to be sold and the reasons for sale.

29.3 The City Manager is authorised to dispose of movable assets below a value of R2 million, and to make the determinations in terms of section 14(2) (a) and (b) of the MFMA, provided that, in respect of assets above a value of R200, 000 not being auctioned, the City Manager shall first consider a recommendation from the Bid Adjudication Committee.

29.4 Movable assets must be sold at market value unless the public interest or the plight of the poor demands otherwise, in which case the considerations listed under regulation 13(2) of the MATR[20], must be taken into account.

30. METHODS OF DISPOSAL

[19] See footnote 15
[20] See footnote 4

30.1 Movable assets may be sold by-

30.1.1 public auction;

30.1.2 public tender;

30.1.3 written price quotations;

30.1.4 donation; or

30.1.5 any other method which is the most beneficial to Council, except when the public interest or the plight of the poor demands otherwise.

31. ADMINISTRATION

31.1 Assets disposed of must be written off and accounted for in the asset register;

31.2 Assets earmarked for sale by the asset section must be reclassified as "assets held-for-sale" and must be transferred to the auction store.

31.3 The Bid Adjudication Committee, as established by the City Manager in terms of the SCM Policy, is authorised to consider tender evaluation reports and to submit recommendations to the City Manager.

32. CONDITIONS FOR DISPOSAL

32.1 Before deciding on a particular disposal method, the following should be considered:

32.1.1 the nature of the asset as determined by the municipal asset section;

32.1.2 the potential market value;

32.1.3 other intrinsic value of the asset as determined by the municipal asset section;

32.1.4 its location;

32.1.5 its volume;

32.1.6 its trade-in price;

32.1.7 its ability to support wider Government programmes;

32.1.8 environmental considerations;

32.1.9 market conditions;

32.1.10 the asset's life as determined by the municipal asset section.

33. GENERAL CONDITIONS FOR DISPOSAL VIA TENDER OR AUCTION

33.1 A notice of the intention of the municipality to sell the asset must be published in a local

newspaper.

33.2 When the public auction or tender route is followed-

33.2.1 the municipality may appoint an independent appraiser to determine the fair market value of the asset; and

33.2.2 the municipality may appoint an independent auctioneer on either a quotation basis or by tender depending on the value of the goods to be disposed of.

34. GENERAL CONDITIONS FOR DISPOSAL VIA WRITTEN PRICE QUOTATION

34.1 Bidders are afforded the opportunity to make a sealed enveloped offer on identifiable items.

34.2 Bids will be opened in public and evaluated in terms of the SCM Policy.

35. GENERAL PRECONDITION FOR DISPOSAL VIA DONATION

35.1 Requests for donations must be motivated to the City Manager in writing for approval.

35.2 Public request for donations received must be submitted to the SCM Section, and will be submitted to the City Manager by way of written report.

35.3 The donation process should be in accordance with the Municipal Grant Policy, as approved.

ANNEXURE A
(Paragraph 23.2)

Column 1	Column 2	Column 3	Column 4	Column 5
Sector or subsector in accordance with the Standard Industrial Classification	**Size of class**	**The total full-time equivalent of paid employees**	**Total turnover**	**Total gross asset value (fixed property excluded)**
Agriculture	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very Small	10	R0.50m	R0.50m
	Micro	5	R0.20m	R0.10m
Mining and Quarrying	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very Small	20	R4m	R2m
	Micro	5	R0.20m	R0.10m
Manufacturing	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5m	R2m
	Micro	5	R0.20m	R0.10m
Electricity, Gas and Water	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
Construction	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Retail and Motor Trade and Repair Services	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very Small	20	R4m	R0.60m
	Micro	5	R0.20m	R0.10m
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R64m	R10m

	Small	50	R32m	R5m
	Very Small	20	R6m	R0.60m
	Micro	5	R0.20m	R0.10m
Catering, Accommodation and other Trade	Medium	200	R13m	R3m
	Small	50	R6m	R1m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
Transport, Storage and Communications	Medium	200	R26m	R6m
	Small	50	R13m	R3m
	Very Small	20	R3m	R0.60m
	Micro	5	R0.20m	R0.10m
Finance and Business Services	Medium	200	R26m	R5m
	Small	50	R13m	R3m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Community, Social and Personal Services	Medium	200	R13m	R6m
	Small	50	R6m	R3m
	Very Small	20	R1m	R0.60m
	Micro	5	R0.20m	R0.10m

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Funding and Reserves Policy

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Abbreviations

DM	Drakenstein Municipality
AO	Accounting Officer
ASB	Accounting Standards Board
CFO	Chief Financial Officer
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practise
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act
SDBIP	Service Delivery and Budget Implementation Plan
VAT	Value Added Tax

1. PURPOSE OF THE DOCUMENT

This policy sets outs the principles for determining the following:-

1.1 Projected billings, collections and all direct revenues;

1.2 The provision for revenue that will not be collected;

1.3 The funds the Municipality can expect to receive from investments;

1.4 The proceeds the Municipality can expect to receive from the transfer or disposal of assets; and

1.5 The funds to be set aside in reserves.

2. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003), has the meaning so assigned, and:

2.1 "**Accounting Officer**" – means the Municipal Manager and vice versa;

2.2 "**Act**" – means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

2.3 "**Chief Financial Officer**" – means an officer of the Municipality, designated by the Municipal Manager to be administratively in charge of the financial affairs of the municipality;

2.4 **"Council" or "Municipality"** – means the Municipal Council of Drakenstein Municipality as referred to in Section 18 of the Municipal Structures Act;

2.5 **"Creditor"** – in relation to a municipality, means any person or service provider to whom money is owing by the Municipality;

2.6 **"Debt"** - means –

2.6.1 A monetary liability of obligation created by a financing agreement, note, debenture, bond, overdraft or the issuance of municipal securities; or

2.6.2 A contingent liability such as that created by guaranteeing a monetary liability or obligation of another.

2.7 **"Delegate"** – means an official / person delegated to perform tasks on behalf of another person;

2.8 **"Financial Statement"** – means statements consisting of at least –

2.8.1 A balance sheet (statement of financial position);

2.8.2 An income statement (statement of financial performance);

2.8.3 A cash-flow statement;

2.8.4 Any other statements that may be prescribed; and

2.8.5 Any notes to these statements.

3. PREAMBLE

The Local Government: Municipal Finance Management Act No 56 of 2003 (hereafter MFMA) section 18 requires that an annual budget may only be funded from:

3.1 Realistically anticipated revenues to be collected;

3.2 Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and

3.3.1 Borrowed funds, but only for capital projects.

3.3.2 Section 19 of the MFMA also requires spending on a capital project may only be commenced once the funding sources have been considered, are available and have not been committed for other purposes,

3.3.3 The Local Government: Municipal Finance Management Act No 56 of 2003 Municipal Budget and Reporting Regulations, 2009 Section 8 requires that each Municipality should have a Funding and Reserves Policy.

4. OBJECTIVES

The objectives of the policy relating to funding and reserves are as follows:

4.1 To comply with the legislative requirements;

4.2 To ensure that the Municipality's Operating and Capital budgets are adequately funded;

4.3 To ensure that the Municipality's provisions and reserves are maintained at the required levels, in order to mitigate unfunded liabilities in future financial years; and

4.4 To achieve financial sustainability with acceptable levels of service delivery to the community.

5. APPROVAL AND EFFECTIVE DATE

The policy will be effective as from 1 July 2019.

6. POLICY AMENDMENT

The AO must–

6.1 At least annually review the implementation of this Policy; and

6.2 When the AO considers it necessary, submit proposals for the amendment of this Policy to the Council.

6.3 The review of this policy and any amendment should be made with due consideration and in conjunction with the annual review of the budget related policies as prescribed in the Municipal Budget and Reporting Regulations, 2008.

7. RELATIONSHIP WITH OTHER POLICIES

This policy needs to be read in conjunction with other relevant adopted policies of the municipality, including the following:

7.1 Accounting Policy;

7.2 Cash Management and Investment Policy;

7.3 Long Term Financial Sustainability Policy;

7.4 Long Term Financial Plan (Chapter 5 of IDP);

7.5 Prioritisation model for Capital Assets Investment; and

7.6 Borrowing policy.

8. REFERENCES

The following references were observed in compiling this document:

8.1 Municipal Finance Management Act, 2003;

8.2 Municipal Systems Act, 2000;

8.3 Municipal Structures Act, 1998;

8.4 Accounting Standards Board;

8.5 MFMA Budget Circulars;

8.6 Municipal Budget and Reporting Regulations, 2008;

8.7 Government Gazettes (30013 & 31021); and

8.8 Generally Recognised Accounting Practice.

9. PRINCIPLES REGARDING THE FUNDING OF THE ANNUAL BUDGET

9.1 An annual budget may only be funded from:-

9.1.1 Realistically anticipated revenues to be collected;

9.1.2 Cash backed accumulated funds from previous years surpluses and reserves not committed for any other purpose; and

9.1.3 Borrowed funds but only for the capital budget.

9.2 Realistic anticipated revenue projections must take into account:-

9.2.1 Projected revenue for the current year based on collection levels to date; and

9.2.2 Actual revenue collected in previous financial years.

9.3 Spending on a capital project may only occur if:-

9.3.1 The money for the project, excluding the cost of feasibility studies, has been appropriated in the budget;

9.3.2 The project, including the total cost, has been approved by Council;

9.3.3 The sources of funding have been considered and have not been committed for other purposes;

9.3.4 Council has considered:-

(a) The projected cost covering all financial years until the project is operational; and
(b) The future operations costs and revenue on the project, including municipal tax and tariff implications.

10. FUNDING THE OPERATIONAL BUDGET

10.1 The operating budget provides funding to departments for their medium term expenditure as planned.

10.1.1 The Municipality categorises services rendered to the community according to its revenue generating capabilities as follows:-

(a) Trading services (services that generate predetermined surpluses that can be used to fund other services rendered by the Municipality);

(b) Economic services (services that should at least break-even, but do not necessarily generate any surpluses to fund other services rendered by the Municipality); and
(c) Rates and General (services that are funded by property rates, government grants or surpluses generated by the trading services).

10.2 The operating budget is funded from the following main sources of revenue:-

10.2.1 Property rates;

10.2.2 Service charges;

10.2.3 Government grants and subsidies;

10.2.4 Other sundry revenue, such as fines, interest received etc.; and

10.2.5 Cash backed accumulated surpluses from previous years not committed for any other purposes.

10.3 The following guiding principles apply when compiling the operating budget:-

10.3.1 The annual budget must be cash backed;

10.3.2 Growth parameters must be realistic taking into account the current economic conditions;

10.3.3 Tariff adjustments must be realistic, taking into consideration affordability, bulk increases and future projected growth according to the approved Integrated Development Plan (IDP);

10.3.4 Revenue from government grants and subsidies must be in line with allocations gazetted in the Division of Revenue Act and Provincial Gazettes;

10.3.5 Revenue from public contributions, donations or any other grants may only be included in the budget if there are acceptable documentation that guarantees the funds such as:-

(a) A signed service level agreement;
(b) A contract or written confirmation; or
(c) Any other legally binding document.

10.3.6 Property rates are levied according to the Municipal Property Rates Act and Property Rates Policy based on the market values. The budget is compiled using the latest approved Valuation Roll and any Supplementary Roll, consistent with current and past

trends. Property rates tariffs and rebates are determined annually as part of the tariff setting process;

10.3.7 Property rates rebates, exemptions and reductions are budgeted either as revenue foregone;

10.3.8 Projected revenue from service charges must be realistic based on current and past trends with expected growth considering the current economic conditions. The following factors must be considered for each service:-

10.3.9 Metered services comprising of electricity and water:-

(a) The consumption trends for the previous financial years;
(b) Envisaged water restrictions or load shedding when applicable; and
(c) Actual revenue collected in previous financial years.

10.3.10 Refuse removal services:-

(a) The actual number of erven receiving the service per category; and
(b) Actual revenue collected in previous financial years.

10.3.11 Sewerage services:-

(a) The actual number of erven receiving the service per category and the size per erven, per category; and
(b) Actual revenue collected in previous financial years.

10.3.12 Rebates, exemptions or reductions for service charges are budgeted either as revenue foregone;

10.3.13 Other projected revenue is charged in terms of the approved sundry tariffs and fines considering the past trends and growth for each category.

(a) Provision for revenue that will not be collected is made against the expenditure item debt impairment and is based on actual collection levels and taking into account factors such as ownership, reconnections and type of debtors.

10.3.14 Transfers from the accumulated surplus to fund operating expenditure will only be allowed for specific once-off projects and with no recurring operating expenditure resulting thereof.

10.3.15 Interest received from actual long-term and or short-term investments are based on the amount reasonably expected to be earned on cash amounts available during the year according to the expected interest rate trends.

10.3.16 Depreciation charges are fully budgeted for according to the asset register and to limit the impact of the implementation of Asset Related GRAP Standards a transfer is made from the accumulated surplus.

10.3.17 To ensure the health of the municipal asset base, sufficient provision must be made for the maintenance of existing and infrastructure assets based on affordable levels as maintenance budgets are normally lower than the recommended levels. As a guiding principle repair and maintenance should constitute at least between 7% of total operating expenditure and should annually be increased incrementally until the required targets are achieved.

10.3.18 Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over operating expenditure. Increases for these line items must be linked to the average inflation rate and macro-economic indicators unless a signed agreement or contract stipulates otherwise.

11. FUNDING THE CAPITAL BUDGET

11.1 The municipality's objective is to maintain, through proper maintenance and replacement measures, existing levels of service and to improve and implement services which are neglected or non – existent. In order to achieve this objective the municipality must annually, within financial means, budget for the replacement of redundant assets as well as new assets. The capital budget provides funding for the Municipality's capital programme based on the needs and objectives as identified by the community through the Integrated Development Plan and provides for the eradication of infrastructural backlogs, renewal and upgrading of existing infrastructure, new developments and enlargement of bulk infrastructure. Provisions on the capital budget will be limited to availability of sources of funding and affordability. The main sources of funding for capital expenditure are:-

11.1.1 Cash backed accumulated surpluses;

11.1.2 Borrowings;

11.1.3 Government grants and subsidies;

11.1.4 Public donations and contributions; and

11.1.5 Operating revenue.

11.2 The following guiding principles apply when considering sources of funding for the capital budget:-

11.2.1 Government grants and subsidies:-

(a) Only gazette allocations or transfers as reflected in the Division of Revenue Act or allocations as per Provincial Gazettes may be used to fund projects (including unspent grants from prior years);
(b) The conditions of the specific grant must be taken into consideration when allocated to a specific project; and
(c) Government grants and subsidies allocated to specific capital projects are provided for on the relevant department's operating budget to the extent that the conditions will be met during the financial year.

11.2.2 In the case of public contributions, donations and/or other grants, such capital projects may only be included in the annual budget if the funding is guaranteed by means of:-

(a) A signed service level agreement;
(b) A contract or written confirmation; and/or
(c) Any other legally binding document.

11.2.3 Public donations, contributions and other grants are provided for on the relevant department's operating budget to the extent that the conditions will be met during the financial year.

11.2.4 The borrowing requirements as contained in the Borrowing Policy are used as a basis to determine the affordability of external loans over the Medium Term Revenue and Expenditure Framework.

11.2.5 All capital projects have an effect on future operating budgets. The following cost factors should therefore be considered before approval:-

(a) Additional personnel cost to staff new facilities once operational;
(b) Additional contracted services, such as security, cleaning etc.;
(c) Additional general expenditure, such as services cost, stationery, telephones, material etc.;
(d) Additional other capital requirements to operate the facility, such as vehicles, plant and equipment, furniture and office equipment etc.;
(e) Additional costs to maintain the assets;
(f) Additional interest and redemption in the case of borrowings;
(g) Additional depreciation charges; and
(h) Additional revenue generation. The impact of expenditure items must be offset by additional revenue generated to determine the real impact on tariffs.

12. RESERVES

All Reserves are "ring fenced" as internal reserves within the accumulated surplus, except for provisions as allowed by the General Recognised Accounting Practices (GRAP).

The following ring fenced reserves exist:-

12.1 Capital Replacement Reserve

Funding for capital budgets of future financial years are generated through contributions from the operating budget. Once the Municipality has reached its maximum gearing ability no further borrowings can be taken up. This necessitates that the Municipality also invests in a capital replacement reserve.

This reserve once fully established will enable the Municipality to provide internal funding for its capital replacement and renewal programme. Other contributions to the capital replacement reserve through the operating budget may include interest received on investments.

This reserve must be cash backed at all times to ensure the availability of cash to fund the municipal capital programme.

12.2 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on re-valued amounts are credited or charged to the Statement of Financial Performance. GRAP 17 governs the reserve and accounting treatment thereof.

13. PROVISIONS

A provision is recognised when the municipality has a present obligation as a result of a past event and it is probable, more likely than not, that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are revised annually and those estimates to be settled within the next twelve (12) months are treated as current liabilities. Only the amounts most probable to be paid in the next financial year will be taken into consideration for the purposes of a cash funded budget. Amounts to be estimated using historic information.

The municipality has the following provisions:

13.1 Leave Accrual

Liabilities for annual leave are recognised as they accrue to employees. An annual provision is made from the operating budget to the leave provision.

13.2 Landfill Rehabilitation Provision

The landfill site rehabilitation provision is created for the current operational site at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the landfill site.

13.3 Provision for Long Service Awards

Municipal employees are awarded leave days according to years in service at year end. Due to the fact that not all long service leave balances are redeemed for cash.

Long service awards can be encashed at the discretion of the Municipal Manager and will be subject to the cash flow position of Council.

13.4 Provision for Post-Employment Medical and Ex-Gratia Benefits

The municipality provides retirement medical care benefits by subsidizing the medical aid contributions to retired employees and their legitimate spouses. The entitlement to retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over a period of employment.

14. POLICY IMPLEMENTATION

This policy will effective as from 1 July 2019.

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Electricity Department Maintenance Policy

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1. EXECUTIVE SUMMARY

This document sets out the Electrical Maintenance Policy of the Drakenstein Municipality Electro Technical Department Assets.

This policy is prepared in a format and content to align it with both:

1.1 The NERSA license conditions; and

1.2 The recommended "National Rationalized Specification NRS 082:2014 developed to address all statutory requirements, the planned maintenance of all electrical related assets, and ensure a safe environment for operators and public.
It shall support the integrated asset management platforms, linking geographic information, asset age, reliability, performance and financial systems, as and when these are developed and commissioned.

The Policy will be supported by a Maintenance Plan comprising various separate documents compiled for specific activities, procedures, training, maintenance program frequencies, and interfaces with the integrated asset management software system.

2. OBJECTIVE OF DRAKENSTEIN ELECTRICAL MAINTENANCE POLICY

The objectives of the Drakenstein Maintenance Policy are;

2.1 To ensure the proper maintenance of the Electricity Infrastructure assets of the municipality as captured in the Asset Register of Drakenstein Municipality;

2.2 To benchmark the maintenance management approach of Drakenstein Municipality in the relevant Government guidelines;

2.3 The policy will only apply to the ongoing maintenance of infrastructure assets, and excludes any capital renewal expenditure;

2.4 The policy will be reviewed annually;

2.5 The policy will be implemented in a phased manner;

2.6 To optimize the maintenance of the electricity distribution network assets for a minimum lifecycle cost;

2.7 To ensure a sustainable delivery of the services to the communities;

2.8 To protect the Council's capital investment;

2.9 To enhance the reliability of the network;

2.10 To avoid costly power outages;

2.11 To meet requirements of consumers, internal stakeholders and legal authorities;

2.12 To comply with the obligations under which this authority is licensed to operate the electricity networks in its licensed distribution area;

2.13 To ensure that the policy document is aligned with the recommendations of the national Rationalized Specification NRS 082:2014 Recommended Maintenance Policy for Electricity Networks.

3. BACKGROUND

3.1 The Asset Management Policy of Drakenstein Municipality describes the procedure for the:

(a) Proper recording of assets from authorisation to acquisition and to subsequent disposal,
(b) Providing for safeguarding procedures,
(c) Setting proper guidelines as to authorised utilisation,
(d) And prescribing for proper maintenance.

3.2 Paragraph 11.20 of the Asset Management Policy also states that "Every director shall be directly responsible for ensuring that all assets are properly maintained and in a manner which will ensure that such assets attain their useful operating lives"

3.3 Whilst the policy therefore captures a mandate for the maintenance of the infrastructure assets of the municipality, there is a need to further articulate this mandate based upon leading practice and applicable Government guidelines.

3.4 This maintenance management policy therefore represents the approach to be followed by the Directorate Infrastructure.

4. ABBREVIATIONS

Term	Description
CMMS	Computerised Maintenance Management System
DPLG	Department of Provincial & Local Government, now the Department of Cooperative Government and Traditional Affairs (COGTA)
EAM	Enterprise Asset Management System
EMIS	Consumer Complaints System
IEC	International Electrical Commission
IIMM	International Infrastructure Management Manual (2006)
HV	Voltage equal or greater than 44 kV AC
KPI	Key Performance Indicator
LV	Network Voltage between 50 and 1000V AC
MFMA	Municipal Finance Management Act
MTBF	Mean time between failures (for a particular type of item)
MV	Network Voltage greater than 1000V AC and less than 44 kV AC
MTTR	Mean time to repair (for a particular type of item)
NIMS	National Infrastructure Maintenance Strategy
O&M	Operation and maintenance
OEM	Original equipment manufacturer
QA	Quality assurance
RCM	Reliability centred maintenance
SOP	Safe operating procedure or standard operating procedure

5. DEFINITIONS

Term	Description
Asset Life-Cycle	The cycle of activities that an asset goes through – including planning, design, initial acquisition and/or construction, cycles of operation and maintenance and capital renewal, and finally disposal.
Availability	The proportion of total time that an asset is capable of performing its intended functions.
Benchmarking	The process of comparing the performance of Drakenstein Municipality with other municipalities, as well as leading practice in order to identify performance gaps.
Competent person	Person who is able to carry out the designated functions
Condition-based / predictive maintenance	Maintenance performed as a result of the condition of an asset. Condition based maintenance is a planned maintenance activity.
Condition-based maintenance	Maintenance done based on information from tests which predict when maintenance is necessary, rather than on time in service or number of operations
Corrective maintenance	Maintenance actions performed as a result of failure of an asset including the modification or re-design of the asset.
Corrective maintenance	maintenance carried out after fault recognition and intended to put an item into a state in which it can perform a required function (IEC)
Deferred maintenance	Maintenance activities that is postponed with valid reason. .
Inspection	Visual or audible (or both) examinations that can be assisted by mechanical or electrical (or both) means, that will detect obvious unsatisfactory conditions or discrepancies (IEC modified)
Item	Any part, component, device, subsystem, functional unit, equipment or system that can be individually considered (IEC)
Life cycle cost	Net present value of the sum of all the direct and indirect costs incurred to acquire, install, commission, operate, maintain, decommission and dispose an item throughout its life NOTE The maintenance component of the life cycle cost should include the costs of risk, spares, labour, maintenance facilities and equipment, transport, site establishment and any special training.

Term	Description
Life cycle items	Primary items and all other network items which together account for 80 % of the sum of all life cycle costs
Maintenance	All actions necessary for retaining an asset as near as possible to its original condition, excluding rehabilitation or renewal.
Maintenance	Combination of all technical and administrative actions, including supervision actions, intended to retain an item in, or restore it to, a state in which it can perform a required function (IEC)
Maintenance / Refurbishment	Actions that will restore or maintain the originally assessed future economic benefits or service potential that an entity can expect from an asset and is necessary for the planned life to be achieved.
Maintenance philosophy	System of principles for the organization and execution of the maintenance (IEC)
Maintenance plan	Information, policies and procedures for the optimal maintenance of an asset or group of assets
Maintenance policy	General approach to the provision of maintenance and maintenance support based on the objectives and policies of owners, users and customers (IEC)
Maintenance standards	The standards set for the maintenance service, usually contained in preventative maintenance schedules, operation and maintenance manuals, estimating criteria, statutory regulations and mandatory requirements, in accordance with the maintenance outcomes.
Modifications from manufacturers	Changes made to an item to incorporate developments after manufacture
Operation	The process of utilising an asset which will consume resources such as manpower, energy, chemicals and materials.
Overhaul	Work done with the objective of repairing or replacing parts which are found to be out of tolerance by inspection, tests, examination, or as required by the manufacturer's maintenance manual, in order to restore the item to an acceptable condition
Planned maintenance	Planned maintenance falls into three categories: 1. Periodic – Activities necessary to ensure the reliability or to sustain the design life of an asset. This includes the regular services required for certain assets. 2. Predictive – Condition monitoring activities used to predict failure 3. Preventative – Maintenance that can be initiated without routine or continuous checking and is not condition-based.

Preventive maintenance	Maintenance carried out at predetermined intervals or according to prescribed criteria and intended to reduce the probability of failure or the degradation of the functioning of an item (IEC)
Pure risk	Risk which results only in loss, damage, disruption or injury with no potential for gain, profit or other advantage
Redundancy	Existence of more than one means for performing a required function (IEC)
Refurbishing	Reinstatement of items to their original condition and intended performance with consideration for cost and current technology for the purpose of extending the plants useful life expectancy
Reliability Centred Maintenance	A structured process to determine the maintenance strategies required for an asset to ensure that it continues to fulfil its intended functions within the current operating context.
Repair	That part of corrective maintenance in which manual actions are performed on the item
Retrofit	Modifications done to an item to incorporate improvements in design to ensure enhanced operating performance
Risk	Chance of loss, or the probability that an undesired event may occur, multiplied by the cost of that event if it does occur
Risk management	Managerial function which has the objective of protecting people, assets and profits of a business, by eliminating or minimizing the potential for loss from pure risk and the provision of funds to recover from losses that do occur
Routine maintenance	Day-to-day operational activities to keep the asset operating and which form part of the annual operating budget.
Routine test	Activity to determine the status, calibration and functionality of an asset or component of an asset
Run-to-Failure	A maintenance strategy where no routine maintenance is performed and the asset is used until it fails. or Failure of an item, which has intentionally not been subject to preventive maintenance
Service maintenance	Service undertaken seasonally or annually to enable the required level of service to be delivered. Service maintenance is a type of planned maintenance activity.
Unplanned maintenance	Corrective work required in the short-term to restore an asset to a working condition.

6. STATUTORY AND REGULATORY FRAMEWORK

6.1 In addition to the Statutory and Regulatory Framework contained in the Asset Management Policy, the following documents are relevant, and were used as key inputs for this policy**:**

(a) MFMA Local Government Capital Asset Management Guideline published by the National Treasury Department (2008).
(b) DPLG "Guidelines for Infrastructure Asset Management in Local Government" (2007).
(c) NIMS, approved by the National Cabinet (2006).
(d) International Infrastructure Management Manual co-authored by Institute of Municipal Engineering of Southern Africa IMESA (2006).

6.2 The Occupational Health and Safety Act (Act 85 of 1993) and regulations shall be complied with.

6.3 NERSA - National Energy Regulator.

6.4 Distribution License.

7. COMPILATION OF MAINTENANCE MANAGEMENT PLANS

7.1 In terms of the Maintenance Management Policy, Maintenance Management Plans will be compiled for all services included under the policy. The maintenance Management Plans will address the following 5 aspects:

(a) Establishment of asset maintenance operational plans,
(b) Preparation of asset maintenance budgets,
(c) Establishment of an asset maintenance organisational structure,
(d) Establishment of asset maintenance systems,
(e) Establishment of asset maintenance performance norms and standards and reporting mechanisms.

7.2 Sections 7 to 11 provide details of the contents of the Maintenance Management Plans for each of the above 5 aspects.

8. ESTABLISH ASSET MAINTENANCE OPERATIONAL PLANS

8.1 Asset maintenance operational planning will be undertaken for all assets covered by this policy with due consideration of the following:

(a) Definition of maintenance outcomes
(b) Conducting a maintenance analysis for all infrastructure assets, including:

(i) Identification of all assets
(ii) Identification of critical assets based upon the risk of failure to the municipality
(ii) Analysing the maintenance options and determining the preferred option in terms of the lowest life-cycle cost.

(c) Development and implementation of a maintenance operational plan.
(d) Analysis of asset performance

8.2 Maintenance outcomes

(a) Maintenance outcomes must be agreed and documented for every service.
(b) The maintenance outcomes must be documented for each of the following categories:

(i) Statutory compliance, e.g. adherence with outflow quality requirements.
(ii) Availability of the service, e.g. time taken to restore service after a disruption.
(iii) Reliability of the service, e.g. the number of times within a period that consumers do not have access to the service.
(iv) Cost of maintenance.
(v) Risk management.

(c) The maintenance outcomes defined will be based upon various documents adopted by Drakenstein Municipality, such as the various Consumer Service Charters.

(d) Main Identification of assets

(i) The existing infrastructure asset register will be used as the basis for the identification of all assets, and care will be taken to update the register to reflect any new assets created, retired or changed in any way.
(ii) Assets will be grouped into categories for which the maintenance actions are similar.

(e) Identification of critical assets based upon the risk of failure to the municipality

(i) Assets will be evaluated to determine the consequence of failure with regards to the following impacts:
(ii) Environmental impact,
(iii) Public health & safety impact
(iv) Financial impact
(v) Service delivery impact
(vi) The impact with regards to each of the criteria will be rated using a 5 point scale.

(vii) The individual ratings will be combined into a combined rating, which will be used to identify the relative criticality of maintaining specific assets.

(f) Analysing the maintenance options and determining the preferred option in terms of the lowest life-cycle cost.

(i) A maintenance strategy will be selected for each of the asset groups defined in 7.3 (a) 2.

8.3 Maintenance operational plan development

(a) The maintenance activities for each asset group defined will be combined in an activity maintenance plan that will list the following:

(i) Description of the asset in sufficient detail for the accurate identification of the asset.
(ii) The criticality of the activity.
(iii) The base period of the activity, e.g. monthly, annually etcetera.

(b) Maintenance activities recorded in existing documents of Drakenstein Municipality will be incorporated into the activity list. These include:

(i) Activities recorded in current checklists and operating manuals

8.4 Analysis of asset performance.

(a) Drakenstein Municipality will use tools to monitor the performance of assets, where it is appropriate for such tools to be employed. These could include:

(i) Root Cause Analysis tools to assess the underlying reasons for asset failure.
(ii) Undertaking Reliability Maintenance assessments.

9. PREPARATION OF ASSET MAINTENANCE BUDGETS

9.1 The costs associated with the maintenance activities in the maintenance activity plan must be calculated.

9.2 The individual maintenance activity costs must be summarised per department and used to inform the required maintenance budgets.

9.3 Where available maintenance budgets are inadequate the criticality of the individual activities will be used to prioritise the maintenance actions to be performed.

9.4 Maintenance activities that cannot be funded will be classified as deferred maintenance and recorded as such.

9.5 Expenditure on maintenance will be recorded against the assets, facilities and cost centres where the cost is incurred.

10. ESTABLISHMENT OF AN ASSET MAINTENANCE ORGANISATIONAL STRUCTURE

10.1 The maintenance activity schedule will be used to inform the maintenance organisational structure required to perform the critical work to be executed.

10.2 The maintenance activity schedule will also be used as the basis to determine the tools and other equipment required to perform the required maintenance.

10.3 The outsourcing or use of alternative delivery mechanisms to perform maintenance tasks, or groups of maintenance tasks, must be considered as an alternative for the creation of in-house capacity.

11. ESTABLISHMENT OF ASSET MAINTENANCE SYSTEMS

11.1 The maintenance activities will be scheduled and controlled using an appropriate system(s), such as a CMMS.

11.2 The maintenance system(s) must include the following functionality

(a) Recording of progress against activities and activities closed or re-programmed
(b) Recording of maintenance costs, time and other resources consumed against assets and facilities.
(c) Include links to the financial management system so that reconciliation of maintenance budgets can be done.
(d) Built-in maintenance analysis tools or ability to export information to other applications, to enable maintenance analyses to be undertaken.
(e) Analysis of asset performance to be used as an input to maintenance planning.

11.3 A link will be established between the maintenance management system and the consumer complaints system (EMIS), which is one of the main originating points for unplanned maintenance activities.

12. ESTABLISHMENT OF ASSET MAINTENANCE PERFORMANCE INDICATORS AND REPORTING MECHANISMS

(a) Appropriate KPI's will be identified and used to monitor the maintenance performance of Drakenstein Municipality.
(b) The maintenance management KPI's will be drawn from the Service Delivery & Budget Implementation Plan and Performance Management System of Drakenstein Municipality, where possible.

(c) The network performance is annually reported to NERSA and considered for compliance with terms of the Electricity Distribution License of Drakenstein Municipality.

13. ELECTRICITY NETWORK

13.1 DESCRIPTION

The Drakenstein Electricity Network comprises of:

(a) 66 kV and 11 kV intakes from Eskom.
(b) 66kV and 11kV electricity distribution networks and plant in the licensed distribution area.

Eskom networks in Drakenstein Municipal Area:

(a) Eskom supplies large areas of Rural Drakenstein and the hamlets of Gouda, Hermon and Saron. This is excluded.

13.2 INFRASTRUCTURE

The network comprises of:

(a) Overhead lines (HV, MV, LV)
(b) Underground Cables (HV, MV, LV)
(c) Transformers (HV/MV, MV/LV)
(d) Mechanical Switchgear (Primary and secondary)
(e) Street Lighting
(f) Monitoring and control equipment
(g) Essential services Standby Generator installations.

14. NORMATIVE REFERENCES

The following documents are referenced in NRS 082:2014-Recommended Maintenance Policy for Electricity Networks.

Document	Description
NER Power Quality Directive;	The NER Power Quality Directive was developed by the National Electricity Regulator and is available on their website www.nersa.org.za
NRS 047-1	Electricity supply – Quality of service. – Part 1: Minimum standards.
NRS 047-2	Electricity supply – Quality of service. – Part 2: Reporting guidelines

Document	Description
NRS 048-2	Electricity supply – Quality of supply – Part 2: Voltage characteristics, compatibility levels, limits and assessment methods
NRS 048-4	Electricity supply – Quality of supply – Part 4: Application practices for licensees
NRS 048-6	Electricity supply – Quality of supply – Part 6: Measurement and reporting of medium voltage network interruption performance
NRS 048-7	Electricity supply – Quality of supply – Part 7: Application practices for end-customers
NRS 048-8	Electricity supply – Quality of supply – Part 8: Measurement and reporting of extra high voltage (EHV) and high voltage (HV) network interruption performance
NRS 048-9	Electricity supply – Quality of supply – Part 9: Load reduction practices, system restoration practices, and critical load and essential load requirements under system emergencies.
NRS 089-1	Maintenance of electricity networks – Part 1: Underground distribution systems
NRS 089-2-1	Maintenance of electricity networks – Part 2: Overhead distribution systems –Section 1: Overhead power lines.
NRS 089-2-2	Maintenance of electricity networks – Part 2: Overhead distribution systems –Section 2: Inspection and supplemental treatment of treated wood utility poles
NRS 089-2-3	Maintenance of electricity networks – Part 2: Overhead distribution systems –Section 3: The manual replacement of a rotten wooden pole structure
NRS 089-2-4	Maintenance of electricity networks – Part 2: Overhead distribution systems –Section 4: Clearing and maintenance of servitude roads.
NRS 089-2-5	Maintenance of electricity networks – Part 2: Overhead distribution systems –Section 5: Insulators
NRS 089-3-1	Maintenance of electricity networks – Part 3: Substations – Section 1: General
NRS 089-3-2	Maintenance of electricity networks – Part 3: Substations – Section 2: Power transformers, circuit-breakers, isolators and instrument transformers
NRS 089-3-3	Maintenance of electricity networks – Part 3: Substations – Section 3: Miniature substations, distribution transformers and electrical enclosures.
NRS 089-4	Maintenance of electricity networks – Part 4: Control technology.

Document	Description
NRS 089-5-1	Maintenance of electricity networks – Part 5: Street lighting and high masts –Section 1: Maintenance of street lighting and high masts.
SANS 14001	Environmental management systems – Specification with guidance for use
SABS ARP5:2010/IWA 5:2006	Emergency preparedness

14.1 SUPPORTING DOCUMENTATION

The supporting documentation shall be established by the department.

(a) A set of Safe Operating/Standard Operating Procedures (relating to activities).
(b) Inspection sheets aligned to the different assets groups or installations.
(c) Maintenance program/Schedule.
(d) OEM equipment operating and maintenance manuals.

14.2 SUPPORTING ASSET MANAGEMENT SOFTWARE

The Electrical Asset Management (EAM) software will be set up to capture all assets, values, service life, maintenance plans, Operating Procedures. It will also generate the relevant works orders for planned maintenance.

The municipal resources include an installation of the Maximo Enterprise Asset Management (EAM) Software.

14.3 MAINTENANCE PHILOSOPHY

Planned / Preventative Maintenance
"*Maintenance carried out at predetermined intervals or according to prescribed criteria and intended to reduce the probability of failure or the degradation of the functioning of an item"*
This practise will be the default for medium- and high voltage switchgear, lines and cables, terminations battery chargers, protection relays, fire extinguishers, substation grounds and surrounds as well as servitudes.
Planned maintenance will be scheduled to maintain the equipment/installation in a condition of maximum availability of service.
Condition based maintenance will be based on scheduled inspection plans and lists.
Predetermined maintenance will be based on a given service schedule.
Both activities will comprise of cleaning, lubrication, adjustment, calibration, repair refurbishment or replacement as appropriate to the equipment or plant.

15. REFURBISHMENT

"Reinstatement of items to their original condition and intended performance with consideration of cost and current technology for the purpose of extending the plants useful life"

Where it is considered cost effective and practical, the plant/equipment may be refurbished to extend its useful life. Due regard shall be given to the frequency of failures that the plant is experiencing. HV and MV switchgear are the most likely to be refurbished.

This would include the replacement of parts found to be worn or failed and affecting the prime function of the equipment.

15.1 UNSCHEDULED / CORRECTIVE MAINTENANCE

Unscheduled maintenance shall be done in the event of an unplanned failure, to return the equipment or plant to service as soon as necessary, but according to either of the following.

(a) **Immediate** maintenance shall be done and the equipment or plant returned to service.
(b) **Deferred** maintenance may be done if the plant / equipment can be safely returned to service for later scheduled maintenance. The need for service shall be escalated and tracked for earliest possible corrective action.

15.2 MAINTENANCE PLANNING

Maintenance plans will be developed to meet the requirements of this policy. The plans will contain details of:

(a) Inspections and record keeping;
(b) Frequency and time based schedules;
(c) Be equipment specific; and
(d) Identify standard procedures.
(e) Cost and resource budget and reconciliation (supported through the EAM system)

Maintenance plans shall only be approved by the Competent Person.

The maintenance frequency, activities, schedules, as approved; will be managed through the Maximo enterprise management system

15.3 MAINTENANCE WORK

Maintenance of electricity delivery networks shall only be performed by designated competent persons in terms of the departmental procedures as established in terms of paragraph 0

15.4 LEGAL REQUIREMENTS

The following acts and regulations of the Republic of South Africa shall apply.

(a) The Occupational Health and Safety Act, Act 85 of 1993 and Regulations.
(b) The General Machinery Regulations 1988 (GMR) incorporated in the OHS Act.
(c) Written appointments of the Competent Person in terms of the GMR, regulation 2(1)
(d) Appointment of Authorised persons, conversant with the dangers and precautionary measures relating to the operation of machinery (regulation 4).
(e) Operation of machinery (Regulation 4).
(f) The Electrical Machinery Regulations (EMR) as amended.
(g) The General Safety Regulations 1986 (as amended)
(h) The following document shall be used for training and assessment of authorised persons for high voltage switching and operations.
(i) The Operating Regulations For High Voltage System (ORHVS) –Eskom controlled Document.

16. CONSUMER REQUIREMENTS

The service levels of the electrical services shall be as agreed with the consumer in accordance with the NER Power Quality Directive.

It shall be specific to consumer and service areas and be subject to constraints identified in the system.

The quality of supply shall be defined in terms of the relevant part of NRS 047.

The service levels shall be defined in terms of the relevant part of NRS 048.

Each individual consumer shall enter into a contract defining the above.

All contracts/agreements shall be kept in a secure record system.

16.1 LIFE CYCLE COSTING

The requirement and scope of maintenance, selection of technology, energy losses or sales losses and spares/consumables relevant to any item shall be subject to a life cycle cost analysis and forecast.

16.2 ENVIRONMENTAL MANAGEMENT

All maintenance activities will be environmentally friendly and comply with SANS 14001.

Spills and leaks shall be reported to the relevant department for inspection, management and clean up.

16.3 QUALITY MANAGEMENT

A quality management system shall be established.

16.4 RISK MANAGEMENT

The Electricity Department shall maintain risk management to ensure safe electrical distribution systems for public, animal life, operators and maintenance personnel.

This shall include:

(a) Risk assessment of operations, equipment and service loss.
(b) Risk assessment before, during and on completion of maintenance work.
(c) Risk assessment and safe procedures in planning and executing maintenance work.

16.5 MODIFICATIONS AND RETROFITS

The definition of NRS 082 is quoted.

"Where substitutes are manufactured for items of a critical nature, recognized reverse engineering techniques can be used to ensure the substitutes are at least equal in all essential respects to the original."

Reverse engineered designs may not infringe on any patent rights.

Reverse engineered items must be assessed for appropriateness of the design, including its function and operating conditions in the existing equipment. Where appropriate, designs, material selection and manufacture must be assessed by a qualified and competent person.

Records of alternatives applied must be entered into the record of the affected plant, including design records where applicable, approval, warranties and date of implementation.

Manufacturer's modification records for major plant or equipment shall be added to the asset data sheets for referral to, during maintenance and operation.

16.6 AUDITING

Any maintenance activity records may be audited for compliance.

An audit frequency shall be prepared.

17. MAINTENANCE MANAGEMENT SYSTEM

17.1 INFORMATION SYSTEM

The maintenance management system shall preferably be operated on an integrated

platform with other municipal functions.

The maintenance management system must incorporate:

(a) A database of plant assets and its relevant object parameters, including age, condition, expected life,
(b) Work procedures and plans for maintenance by plant item,
(c) Scheduling of maintenance and resources,
(d) Cost forecasting and capturing / reconciliation.

17.2 PERFORMANCE MONITORING

Maintenance KPI's will be set for each group of plant or function to allow review of expectations and actual service levels.

It should also support annual reporting data extraction for internal review and NERSA reporting.

ASSET MAINTENANCE STRATEGIES

Category	Type	Description
Planned	Periodic / preventative maintenance	Regular programme of maintenance tasks (including inspections). Inspection and service frequency
	Condition based / predictive maintenance	Maintenance based upon the condition of an asset.
	Service maintenance	Regular servicing of assets, including services prescribed by the original manufacturer.
Unplanned	Priority repair	Maintenance to restore the function of an asset that has failed.
	Run-to-failure or "Throw away"	Assets where no maintenance is performed and the asset is discarded and / or replaced at the end of its life.
	Corrective maintenance	Maintenance actions performed as a result of the failure of an asset based upon modifications and / or re-designs identified.

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Gift Policy

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1. Definitions

Benefit: Includes any tangible or intangible advantages or profits gained, such as tickets to sporting, theatrical or other events, invitations to lunches, dinners, promotions or travel.

Corruption: The abuse of a position of employment by the offering or acceptance of a benefit that is not legally due, for the commission of an act in connection with that position of employment, as defined in the Prevention and Combating of Corrupt Activities Act, No 12 of 2004.

Employee: Includes permanent employees, temporary employees, contract employees, fixed term contract employees of the municipality.

Employee's Family: Includes the employee's spouse or life partner, sibling, parent, parents-in-law, grandparent, child, grandchild, adoptive parent and adoptive child.

Gift: Includes the receipt of physical offerings, rewards, hospitality (including breakfasts, lunches, dinners), money, sponsorships, and commissions or any other benefit or gratification that is received by an employee in his or her official capacity but does not include:

- The Municipality's own branded goods or items;
- Official sponsored functions, promotions or hospitality events of the Municipality; and
- Official donations made on behalf of the Municipality.

Gratification: means gratification as defined under Section 1 of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No 12 of 2004).

The Municipality: Drakenstein Municipality.

Supplier: Includes existing and potential vendors, contractors, sourcing partners, service providers, distributors, and consultants who supply goods or services to the municipality, as well as any other third parties who may in future become suppliers or vendors of goods or services to the municipality.

2. Introduction

The Municipality subscribes to the principles of good corporate governance, which requires conducting business in an honest and transparent manner. The Municipality is also committed in fighting fraudulent behaviour at all levels within the organization. Taking the aforesaid into account, it is of critical importance that all employees of the Municipality be informed of its position on the acceptance and offering of business courtesies, including gifts and rewards and that such business courtesy occurs within ethical standards as prescribed in legislation.

3. Scope of this policy

This Policy applies to all employees of the Municipality.

4. Legislative framework

4.1 The purpose of this Policy is to regulate the declaration of offering of business courtesies and gifts received by employees of the Municipality. This Policy applies to all employees of the Municipality and must be read together with:

4.1.1 Schedule 2 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) (Systems Act) and more specifically item 8 thereof which states that:

(1) A staff member of a municipality may not request, solicit or accept any reward, gift or favour for –

(a) Persuading the council of the municipality or any structure of functionary of the council, with regard to the exercise of any power or the performance of any duty;

(b) Making a representation to the council, or any structure or functionary of the council;

(c) Disclosing any privileged or confidential information; or

(d) Doing or not doing anything within that staff member's power or duties.

(2) A staff member must without delay report to a superior or to the speaker of the council any offer which, if accepted by the staff member would constitute a breach of sub-item (1).

4.1.2. The Municipality's Supply Chain Management Policy (the SCM Policy) and more specifically paragraph 47 thereof which states that;

47(1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant–

(a) Any inducement or reward to the Drakenstein Municipality for or in connection with the award of a contract; or

(b) Any reward, gift, favour or hospitality to –

(i) Any official; or

(ii) Any other role player involved in the implementation of this Policy.

(2) The Accounting Officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

(3) Subparagraph (1) does not apply to gifts less than R 350 in value.

4.1.3 the Municipality's Fraud Prevention Policy and more specifically paragraph 4 which states that:

4.1.3.1 The Municipality's policy to fraud is zero tolerance.

4.1.3.2 All fraud, corruption, theft, maladministration or any other dishonest activities of a similar nature will be investigated and followed up by applying the appropriate remedies and the full extent of the law. Appropriate prevention and detection controls must be developed and enforced. These include the existing financial and other controls and checking mechanisms as prescribed.

4.1.3.3 This policy applies to all allegations, attempts and incidents of fraud impacting or having the potential to impact on the Municipality.

4.1.3.4 The attempted fraud is treated as seriously as the accomplished fraud.

5. Principles

5.1 It is often standard business practice within the private sector to offer gifts and hospitality to current and potentially future clients. The acceptance of such gifts and hospitality may be accepted under certain conditions.

5.2 Any acceptance of an offer of a bribe or a commission must however be viewed as illegal and may result in disciplinary and criminal action.

5.3 Employees must take great care not to be placed in a situation where their actions might be construed to be improper, may indicate bias towards an organisation or person, or indicate favouritism towards any organisation or person.

5.4 The acceptance of gifts or hospitality by employees should be the exception and not the rule. If doubt exists about the propriety of the gift or hospitality, then it must be refused by the employee.

5.5 The basis for remuneration of employees is their salaries and any allowances to which they might be entitled. This must not be supplemented by the acceptance of gifts or hospitality for the work that they perform.

5.6 Under no circumstances should an employee of the Municipality attempt to solicit a gift from a supplier.

5.7 An employee may receive a gift to the value of R 350 (incl VAT) per supplier per occasion. Any gifts in excess of this provision must be refused by the employee and not authorised by the respective authority. Gifts may only be retained by an employee after the delegated authority has authorised the acceptance thereof.

5.8 In the event where a gift is received from a supplier which aims to benefit a number of employees, the value of the gift may be divided between the number of employees who benefits, subject to paragraph 5.7 of this Policy.

6. Execution of this Policy

6.1 The power of authority from granting permission vested in the City Manager with regards to the acceptance of gifts is delegated to the Executive Directors, Senior Managers and Managers of the employee concerned in respect of the following subject to paragraph 5.7 of this Policy:

6.1.1 Invitations to business meals, provided it is done in a circumspect and responsible manner;

6.1.2 Articles which displays the supplier's name, trade mark or logo and which are presented for advertising purposes. The acceptance of any articles on which supplier's name, trade mark or logo do not appear is also subject hereto;

6.1.3 Invitations to sports meetings and sports events; and

6.1.4 Tokens of appreciation for public appearances by an employee. In such circumstances, the gifts may be accepted and if possible, put on display at the workplace.

6.2 Gifts (e.g. awards) received on behalf of the Municipality is excluded from this Policy. Any invitation to an occasion in an employee's official capacity may be accepted, but needs to be recorded in a separate register after approval by the City Manager. Invitations received by the City Manager must be recorded in the same register as stated above which must be approved by the Executive Mayor.

6.3 Permission to accept gifts other than those contemplated under paragraph 6.1 of this Policy, must be obtained from the City Manager, subject to paragraph 5.7 of this Policy.

7. Valuation of gifts

7.1 Gifts must recorded at a market related value.

7.2 Should there be uncertainty with regards to the value of the gift, a value will be determined by the respective department's Executive Director and the Chief Financial Officer.

8. Declaration and recording of gifts

8.1 All employees, below the level of Executive Director, are required to declare the receipt of gifts in the gift register, held by the respective Executive Directors.

8.2 The City Manager, the relevant Executive Director or senior manager / manager reporting directly to an executive director, shall decide whether an employee may retain a gift or not subject to paragraph 6.1.

8.3 The format of the gift register will be determined by the Manager: Supply Chain Management.

8.4 Employees reporting directly to Executive Director that is offered a gift must obtain their respective Executive Director's approval of acceptance for the gift.

8.5 Executive Directors that receive a gift must obtain the City Manager's approval for acceptance of the gift.

8.6 The City Manager that receive a gift must obtain the Executive Mayor's approval for acceptance of the gift.

8.7 Employees must promptly record gifts in the gift register.

8.8 The authority who approved or rejected the acceptance of a gift, must ensure that the gift register is properly completed.

8.9 An employee that received a gift cannot approve the retention of that gift.

9. Reporting requirements for gift registers

9.1 Gift registers held by the respective departments must be submitted to the office of the Manager: Supply Chain Management on at least a bi-annual basis.

9.2 The office of the Manager: Supply Chain Management will be responsible for collating all declarations made for audit purposes.

10. Communication and circulation of this Policy

10.1 The Chief Financial Officer is responsible for the communication of this Policy to all employees of the Municipality and must ensure that the content hereof is included in induction sessions for new appointees.

11. Short title

11.1 This Policy is called the Drakenstein Municipality Gift Policy.

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Stock Management Policy

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1. Background

1.1 The stores and stock management function shall be centralised and will operate under the control of the Manager: Supply Chain Management.

1.2 The Manager: Supply Chain Management shall ensure proper financial control, uphold the principle of effective administration, proper stock holding and control, a high standard of service levels as well as product standardisation and ensuring good quality of products.

2. Objective

2.1 The aim of this policy is to ensure continued availability of materials for rendering services to the community, by following due processes and procedures that are consistent with Council's Supply Chain Management Policy and other applicable legal and policy frameworks.

3. Accountability

3.1 In accordance with section 62(1)(c) of the Municipal Finance Management Act (Act 56 of 2003), referred to as the MFMA, the accounting officer of the Municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

4. Principles of Stock Management

4.1 The principles of stock management are as follows –

4.1.1 Consolidation of stock items to avoid duplication and redundancy;

4.1.2 Managing the stores in an efficient and cost effective manner;

4.1.3 Managing and monitoring of stock levels;

4.1.4 The setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

4.1.5 Maintaining an effective item identification system;

4.1.6 Avoiding fruitless and wasteful expenditure by disposing redundant material on time;

4.1.7 Designing and implementing internal control systems that seeks to ensure that the Municipality minimizes theft and avoidable losses;

4.1.8 All stock items in the Stock System are coded to ensure that each item has a unique number for the purpose of monitoring spending patterns on types or classes of goods;

4.1.9 Stock items are kept in clearly marked bins located in the store to enable ease of identification at all times;

4.1.10 To prolong the life of stock items kept in the stores, the stores must be kept in a clean, safe, tidy and systematic condition that complies with the health and safety standards as applicable;

4.1.11 Appropriate measures should be taken to minimise the risk associated with the keeping of stock items;

4.1.12 Ordering and receiving of stock must be done in accordance with standard operating procedures and instructions; and

4.1.13 To ensure that appropriate standards of internal controls and stock management are in place to ensure goods placed in the stores are secured and only used for the purpose it was purchased for.

5. Stock Counts

5.1 An annual formal stock count must be undertaken before the end of each financial year. A stock count report, indicating all discrepancies and further recommendations must be submitted to Council within two months after the end of the financial year.

6. Standard Operating Procedures and Instructions

6.1 The Manager: Supply Chain Management or his representative is hereby authorised to direct further instructions and standard operating procedures on the implementation of this policy to all relevant officials.

6.2 Any non-compliance to this policy or any standard operating procedure or any instruction given in terms of this policy shall result in preliminary investigations and if needed the institution of disciplinary procedures in terms of the Collective Agreement on the Disciplinary Procedures Code.

7. Valuation of Stock Items

7.1 In terms of GRAP 12 stock items are valued at the lower of cost by using the first-in-first-out (FIFO) cost basis or net realisable value (NRV) and are recorded exclusive of VAT.

8. Damaged and Obsolete Stock Items

8.1 Stock items that are periodically identified as being damaged must be reported on by the Administrator: Stores as to effect the necessary financial system adjustments.

8.2 On an annual basis damaged and obsolete stock items will be identified as part of the annual stock count process. Such items will be reported on to Council together with appropriate recommendations.

9. Issuing and Storage of Stock Items

9.1 Stock items will be taken up in the Stock System and issued from the Stock System as per the approved Standard Operating Procedures for stock management.

9.2 Stock items will not be issued in advance to any department at any stage, except in emergency circumstances after normal working hours that include the existence of one or more of the following situations –

9.2.1 The possibility of human injury or death;

9.2.2 The prevalence of human suffering or deprivation of rights;

9.2.3 The possibility of damage to property, or suffering and death of livestock and animals;

9.2.4 The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;

9.2.5 The possibility of serious damage occurring to the natural environment;

9.2.6 The possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and / or

9.2.7 The possibility that the security of the state could be compromised.

9.3 Emergency dispensation shall not be granted in respect of circumstances other than those contemplated in paragraph 9.2 above.

9.4 Stock items that are issued by the Municipal Stores will not be kept at the Municipal Stores premises on behalf of other departments for their future use.

9.5 Only stock items that are ordered by the Municipal Stores will be kept at the Municipal Stores premises. No items ordered by any other department, will be kept at the Municipal Stores premises.

9.6 Stock items may be issued to other municipalities provided that the relevant Executive Director and the Chief Financial Officer approves such a request in writing.

9.7 Stock items may be obtained from other municipalities or from government entities (Eskom, etcetera) in cases where the Municipal Stores do not have the necessary stock to ensure that services can be rendered by departments provided that the relevant Executive Director and the Chief Financial Officer approves such a request in writing.

10. SHORT TITLE

10.1 This policy is called the Drakenstein Municipality Stock Management Policy.